ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

YEARS ENDED JUNE 30, 2016 AND 2015

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CONTENTS

	Page
Message from the General Manager	1
Independent auditors' report	2 - 3
Management's discussion and analysis	4 - 10
Financial statements:	
Statements of net position	11
Statements of revenues, expenses and changes in net position	12
Statements of cash flows	13 - 14
Notes to financial statements	15 - 37
Required supplementary information:	
Schedule of AZPM's proportionate share of the net pension liability - cost sharing plan (ASRS)	38
Schedule of pension contributions	39
Single-employer OPEB plan funding progress	40
Supplementary information to the financial statements:	
Statement of functional expenses by station - 2016	41
Statement of functional expenses by station - 2015	42

From the AZPM General Manager

Fiscal Year 2016 was a success on many levels for Arizona Public Media (AZPM). Our staff worked diligently to provide programming and content that educates, informs, inspires and connects Southern Arizona. As we continue to serve diverse audiences, I am grateful for their generous and supportive response. While our fundraising goals were ambitious, the outpouring of public support was equal to the task. Viewer/listener contributions increased by 5 percent overall, a figure that includes more than 4,500 first-time contributors.

There are other great numbers to report from FY '16: *PBS 6* continues to be one of the most watched PBS stations in the country. On radio, *NPR 89.1* remains the #1 news/talk radio station in Tucson. In the fast-growing world of digital and social media, AZPM connected and engaged with new (and younger) audiences, adding more than 200,000 new users compared to FY '15, and increasing page views by 24% to more than 5.5 million. AZPM's Facebook page continues to grow and is the most popular public broadcasting Facebook page in the state of Arizona.

The AZPM team had another great year of producing smart, high-quality programming for our audiences. Once again, those efforts were recognized for excellence by our peers within the broadcast industry. AZPM staff received 13 Rocky Mountain Region Emmy® Awards in 10 categories, more than any other TV station in Tucson, and more than any public station in the entire region, which includes Arizona, New Mexico, Utah, Wyoming and El Centro, CA. Among the awards received was the coveted Emmy® award for *Overall Station Excellence*, which recognizes the organization demonstrating consistently superior performance in areas such as station administration and community engagement, in addition to local production excellence.

The numbers are great, but they don't tell the whole story. Our greatest impact is not measured merely by ratings and numbers of awards, but rather by the number of lives we've touched.

End-of-life planning is not a pleasant topic, but it is enormously important. If not properly handled, the repercussions can be emotionally and financially devastating. Arizona Public Media tackled this difficult subject with purpose and tact in the original documentary, *Passing On*. As part of the program, we also offered several end-of-life community workshops where vital information was disseminated, questions were answered, and fears were alleviated. Many months later, we continue to connect with our community on this topic.

AZPM also touched the lives of UA students getting their first experience in a professional working environment by providing real-world, on-the-job training. In addition to various production and office support positions, AZPM put students in front of the camera by launching *Newsbreak*, featuring UA School of Journalism students writing and reporting headline news each weeknight on *PBS 6*.

Public broadcasting continues to be one of the most trusted institutions in the United States. At AZPM, we take audience trust and journalistic integrity seriously. As the 2016 election season began, the news team at Arizona Public Media honored its obligation to provide fair, balanced, and thoughtful in-depth political coverage of events across the country, as well as issues here in our backyard.

As we move forward in our efforts to help build a better Southern Arizona, know that we do so because of our deep commitment to this community. We will continue to offer educational, empowering and aspirational content that enriches the lives of our audiences. Thank you for your continued support.

Sincerely,

Jack Gibson

Jack Gibson
Director and General Manager

BFC

BEACHFLEISCHMAN

Independent Auditors' Report

Board of Directors and Management
Arizona Public Media
Tucson, Arizona

We have audited the accompanying financial statements of Arizona Public Media, a division of The University of Arizona, as of and for the years ended June 30, 2016 and 2015, and the related notes to the 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards established by the AICPA Auditing Standards Board. 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 auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Public Media as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information
U.S. generally accepted auditing standards require that the management's discussion and analysis and schedule of AZPM's proportionate share of the net pension liability - cost sharing plan (ASRS), schedule of pension contributions, and schedule of pension contributions and single-employer OPEB plan funding progress, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 financial statements and other knowledge we obtained during our audit of the 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The message from the General Manager and statements of functional expenses by station are presented for purposes of additional analysis and are not a required part of the financial statements.

The statements of functional expenses by station are the responsibility of management and were derived from and relate 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 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 U.S. generally accepted auditing standards. In our opinion, the statements of functional expenses by station are fairly stated, in all material respects, in relation to the financial statements as a whole.

The message from the General Manager has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BeachFleischman PC

Tucson, Arizona
December 23, 2016

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2016 AND 2015

Introduction and Reporting Entity

The following discussion and analysis provides an overview of the financial position and activities of Arizona Public Media (AZPM), a division of the University of Arizona (the University or U of A), for the years ended June 30, 2016 and 2015.

This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

USING THE FINANCIAL STATEMENTS

The financial statements include three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position presents the financial position of AZPM at the end of the fiscal year and includes all assets and liabilities of AZPM. Assets and liabilities are classified as either current or noncurrent. Current liabilities are obligations that will be paid within one year of the statement date. Current assets are those resources available to satisfy current liabilities. The difference between total assets and total liabilities, referred to as net position, is one indicator of the financial condition of AZPM. Generally, assets and liabilities are measured using current values. One notable exception is capital assets, which are stated at historic cost less an allowance for depreciation.

The Statement of Revenues, Expenses and Changes in Net Position provides information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net asset categories are reported, including capital contributions and additions or reductions to endowments. As a University licensee, general appropriations from the University, along with contributions and investment income are considered nonoperating revenues. Therefore, as a result of these standards, AZPM will typically appear to operate at a loss. By comparison, the total change in net position is a better indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents during the year. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Position. In addition, this statement reconciles cash flows from operating activities to operating income/(loss) on the Statement of Revenues, Expenses and Changes in Net Position.

CONDENSED FINANCIAL STATEMENT INFORMATION

Statement of Net Position

A summarized comparison of AZPM's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and 2015 is as follows:

	2016	2015
Assets		
Current assets	$ 16,325,740	$ 14,728,427
Noncurrent assets other than capital assets	1,675,916	1,524,502
Capital assets	1,529,320	1,584,917
Deferred outflows of resources	483,005	635,792
Total assets and deferred outflows of resources	20,013,981	18,473,638
Liabilities		
Current liabilities	733,105	672,211
Noncurrent liabilities	4,831,751	4,800,058
Deferred inflows of resources	417,271	837,503
Total liabilities and deferred inflows of resources	5,982,127	6,309,772
Net position		
Investment in capital assets	1,529,320	1,584,917
Restricted - nonexpendable	1,608,322	1,470,336
Restricted - expendable	308,881	301,742
Unrestricted	10,585,331	8,806,871
Total net position	$ 14,031,854	$ 12,163,866

For the year ended June 30, 2016, total net position increased by $1,867,988, or 15.4%, which is mainly due to an increase in Legacies and Bequests and Capital gifts. In addition, there was an increase to endowments.

For the year ended June 30, 2015, total net position was restated by $4,932,432 and experienced an increase in net position of $2,282,175. The restatement of net position was mainly due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which establishes standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit and defined contribution pension plans. .

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Statement of Net Position (Continued)

Current assets consist primarily of cash and cash equivalents, short term investments, receivables and prepaid expenses. Current liabilities consist primarily of accounts payable, accrued liabilities and unearned revenue. Current assets are sufficient to meet current obligations.

Statement of Revenues, Expenses and Changes in Net Position

A summarized comparison of AZPM's operations for the years ended June 30, 2016 and 2015 is as follows:

	2016	2015
Operating revenues:		
Grants and contracts	$ 36,989	$ 20,000
Auxiliary enterprises	336,335	353,975
Total operating revenues	373,324	373,975
Operating expenses:		
Program services:		
Programming and production	5,717,469	5,943,499
Broadcasting	1,352,883	1,338,111
Public information and promotion	536,273	516,751
Support services:		
Management and general	984,759	977,732
Fundraising and membership development	2,330,978	2,202,791
Total operating expenses	10,922,362	10,978,884
Operating loss	(10,549,038)	(10,604,909)
Nonoperating revenues:		
General appropriation from U of A	1,914,345	2,497,686
Donated facilities and administrative support from U of A	1,747,505	1,765,809
Corporation for Public Broadcasting grants	1,528,703	1,537,741
Subscription and membership income	3,178,881	3,002,550
Business and underwriting	1,316,043	1,242,586
Other gifts and nonoperating revenues	2,351,122	2,807,922
	12,036,599	12,854,294
Increase in net position before capital items	1,487,561	2,249,385
Capital grants, gifts and conveyances	380,427	32,790
Increase in net position	1,867,988	2,282,175
Net position, beginning of year	12,163,866	9,881,691
Net position, ending of year	$ 14,031,854	$ 12,163,866

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

Operating revenues and expenses - In fiscal year 2016, AZPM's operating revenues remained constant over fiscal year 2015.

In fiscal year 2015, AZPM's operating revenues decreased by $45,924, or 10.9%, over fiscal year 2014. This was attributable to a decrease in outside production revenue.

In fiscal year 2016, operating expenses decreased by $56,522 primarily due to pension expense. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, decreased $191,736, or 2.5%, primarily due to a reallocation of expenses that support cross platform effort in production. Supporting services, which consist of management and general and fundraising and membership development expenses, increased approximately $135,214, or 4.3%, primarily due to the reallocation of expenses as well.

In fiscal year 2015, operating expenses had an increase of approximately $148,953, or 1.4%. Program services, which consist of programming and production, broadcasting, and public information and promotion expenses, increased approximately $225,782, or 3.0% primarily due to increased program acquisition costs. Supporting services, which consist of management and general and fundraising and membership development expenses, decreased approximately $76,829 or 2.4% primarily due to the change in accrued compensated absences.

Nonoperating revenues – In fiscal year 2016, nonoperating revenue decreased approximately $817,695, or 6.4%. The general appropriation from the University decreased approximately $583,341, or 23.4%, primarily due to the third year of five of the University reductions. Donated facilities and administrative support (indirect administrative support) provided by the University decreased by $18,304, or 1.0%, which is the result of a decrease in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants decreased by $9,038, or .59%. Subscription and membership revenue increased by $176,331, or 5.9%, which is primarily due to continued growth of the sustainer giving campaign and successful pledge drives. Business and underwriting revenue increased $73,457, or 5.9%, primarily due to an increase in underwriting contracts. Other gifts and nonoperating revenues decreased by approximately $456,800, or 16.3%, which is mainly due to a large estate that was left to an endowment in 2015.

CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

In fiscal year 2015, nonoperating revenue increased approximately $1,282,630, or 11.1%. The general appropriation from the University decreased approximately $123,761, or 4.7%, primarily due to the second year of five of the University reductions. Donated facilities and administrative support (indirect administrative support) provided by the University decreased by $48,656, or 2.7%, which is the result of a decrease in direct costs. The value is calculated using the Corporation for Public Broadcasting's (CPB) Other Sponsored Activities Method. CPB grants increased by $134,619, or 9.6%. Subscription and membership revenue increased by $508,527, or 20.4%, which is primarily due to continued growth of the sustainer giving campaign and successful pledge drives. Business and underwriting revenue increased $103,915, or 9.1%, primarily due to an increase in underwriting contracts. Other gifts and nonoperating revenues increased by approximately $707,986 or 33.7%, which is mainly due to an increase in endowments and major giving.

Capital Assets and Debt Analysis

AZPM had $1,529,320 and $1,584,917 in capital assets, net of accumulated depreciation at June 30, 2016 and 2015. Title to these assets resides with the University, which allocates custody of the assets to AZPM for its operational needs.

AZPM does not separately issue long-term debt and is not currently engaged in any long-term financing transactions.

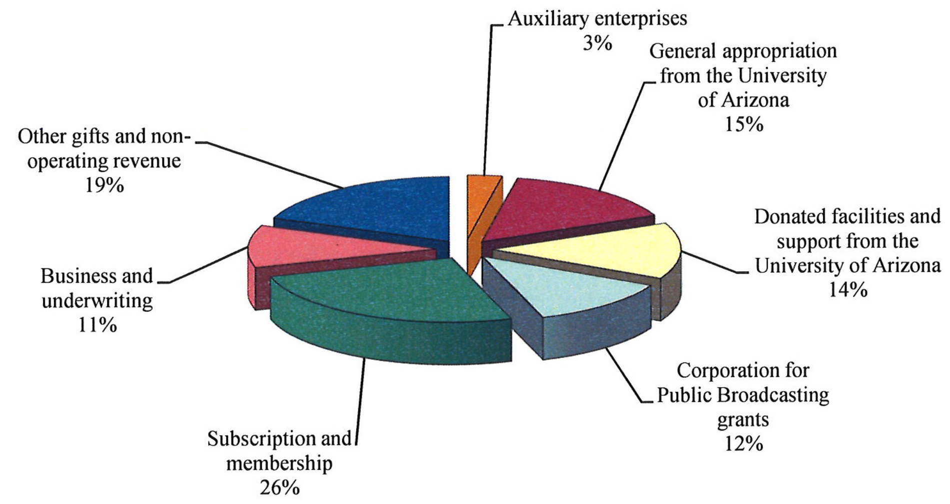
Contacting AZPM

This management report is designed to provide a general overview of AZPM's finances and to show AZPM's accountability for the revenue it received. If you have other questions on this report or need additional information, contact the Chief Financial Officer at Arizona Public Media, P.O. Box 210067, Tucson, AZ 85721 or call (520)-621-KUAT.

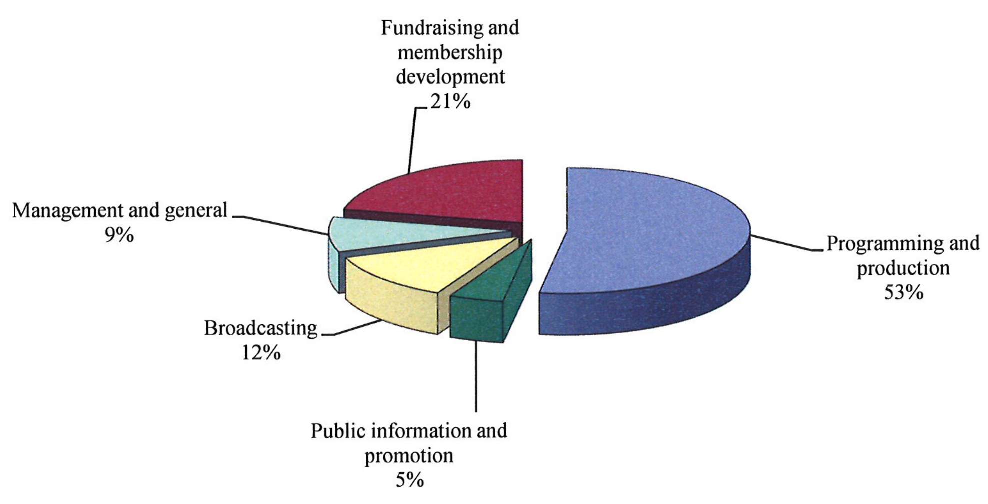
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and non-operating revenues and expenses for the year ended June 30, 2016.

Operating and Nonoperating Revenues



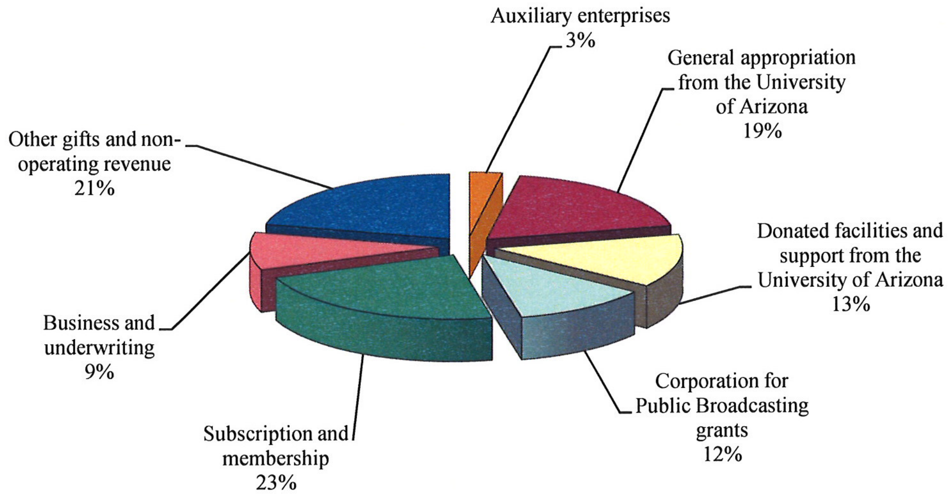
Operating and Nonoperating Expenses



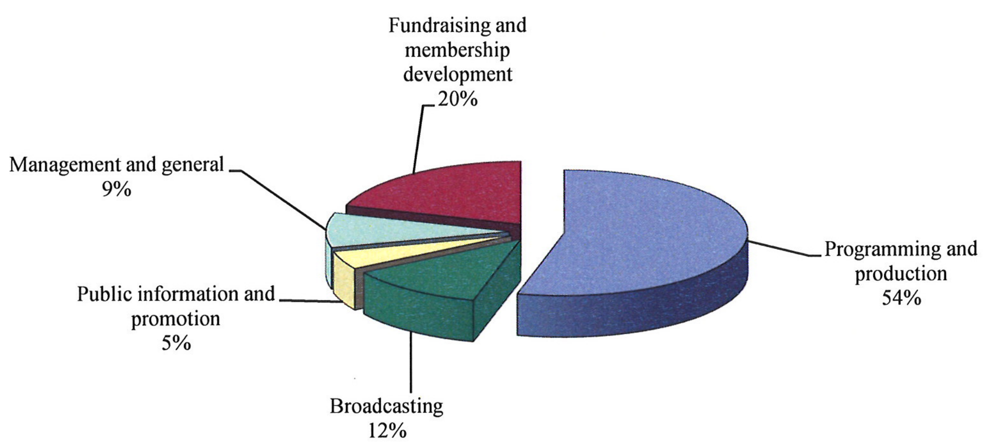
CONDENSED FINANCIAL STATEMENT INFORMATION (CONTINUED)

The following graphs illustrate the operating and nonoperating revenues and expenses for the year ended June 30, 2015.

Operating and Nonoperating Revenues



Operating and Nonoperating Expenses



Basic Financial Statements

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	$ 14,799,474	$ 13,608,088
Accounts receivable, net	1,179,022	980,796
Prepaid expenses	347,244	139,543
Total current assets	16,325,740	14,728,427
Capital assets, net	1,529,320	1,584,917
Endowment investments	1,608,324	1,470,336
Other assets	67,592	54,166
Total assets	19,530,976	17,837,846
Deferred outflows of resources:		
Deferred outflows related to pensions	483,005	635,792
Total assets and deferred outflows of resources	20,013,981	18,473,638
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	136,487	143,586
Accrued expenses and other liabilities	573,971	512,154
Unearned revenue	8,995	6,498
Current portion of defined contribution plans liability	13,652	9,973
Total current liabilities	733,105	672,211
Defined contribution plans liability, net of current portion	33,033	10,759
Net pension liability	4,599,825	4,789,299
Net OPEB liability	198,893	-
Total liabilities	5,564,856	5,472,269
Deferred inflows of resources:		
Deferred inflows related to pensions	417,271	837,503
Total liabilities and deferred inflows of resources	5,982,127	6,309,772
Commitments and contingencies		
Net position:		
Investment in capital assets	1,529,320	1,584,917
Restricted:		
Nonexpendable - endowments	1,608,322	1,470,336
Expendable - station programs/projects	288,409	277,939
Expendable - capital projects	20,472	23,803
Unrestricted	10,585,331	8,806,871
Total net position	$ 14,031,854	$ 12,163,866

See notes to financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues:		
Grants and contracts	$ 36,989	$ 20,000
Auxiliary enterprises	336,335	353,975
Total operating revenues	373,324	373,975
Operating expenses:		
Program services:		
Programming and production	5,717,469	5,943,499
Broadcasting	1,352,883	1,338,111
Public information and promotion	536,273	516,751
Support services:		
Management and general	984,759	977,732
Fundraising and membership development	2,330,978	2,202,791
Total operating expenses	10,922,362	10,978,884
Operating loss	(10,549,038)	(10,604,909)
Nonoperating revenues (losses):		
General appropriation from U of A	1,914,345	2,497,686
Donated facilities and administrative support from U of A	1,747,505	1,765,809
Corporation for Public Broadcasting grants	1,528,703	1,537,741
Subscription and membership income	3,178,881	3,002,550
Business and underwriting	1,316,043	1,242,586
Legacies and bequests	1,639,939	1,230,700
Other gifts and contributions	259,261	895,946
Investment income (loss), net	(110,296)	10,855
Other nonoperating revenues	562,218	670,421
Nonoperating revenues (losses)	12,036,599	12,854,294
Increase in net position before capital additions	1,487,561	2,249,385
Capital grants, gifts and conveyances	380,427	32,790
Increase in net position	1,867,988	2,282,175
Net position, beginning of year	12,163,866	9,881,691
Net position, end of year	$ 14,031,854	$ 12,163,866

See notes to financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Grants and contracts receipts	$ 36,989	$ 20,000
Auxiliary enterprise receipts	333,772	366,120
Payments for salaries, wages and benefits	(5,065,783)	(5,104,038)
Payments to suppliers	(4,070,218)	(3,620,119)
Net cash used in operating activities	(8,765,240)	(8,338,037)
Cash flows from noncapital financing activities:		
General appropriations from the U of A	1,914,345	2,497,686
Corporation for Public Broadcasting grants	1,528,703	1,537,741
Gifts and grants for other than capital purposes	6,510,122	5,969,654
Net cash provided by noncapital financing activities	9,953,170	10,005,081
Cash flows from capital financing activities:		
Capital grants and gifts received	380,427	32,790
Purchases of capital assets	(381,741)	(82,794)
Net cash used in capital financing activities	(1,314)	(50,004)
Cash flows from investing activities:		
Decrease in fair value of cash equivalents	(116,634)	(56,368)
Interest and dividends on investments	121,404	97,327
Net cash provided by investing activities	4,770	40,959
Net increase in cash and cash equivalents	1,191,386	1,657,999
Cash and cash equivalents, beginning	13,608,088	11,950,089
Cash and cash equivalents, ending	$ 14,799,474	$ 13,608,088

See notes to financial statements.

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (10,549,038)	$ (10,604,909)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	437,338	384,034
Donated facilities and administrative support	1,747,505	1,765,809
Changes in operating assets and liabilities:		
Accounts receivable	(2,563)	12,474
Prepaid expenses	(221,127)	23,805
Accounts payable	(7,099)	(18,344)
Accrued expenses and other liabilities	61,817	20,113
Unearned revenue	-	(329)
Net defined contribution plans liability	25,953	20,732
Net pension liability and related changes in deferred outflows and inflows of resources	(456,919)	58,578
Net OPEB liability	198,893	-
Net cash used in operating activities	$ (8,765,240)	$ (8,338,037)
Supplemental noncash transactions:		
Unrealized gain in fair value of investments:		
Quasi-endowments, included in cash and cash equivalents held by the University of Arizona	(116,634)	$ (56,368)
Endowments	(115,066)	(30,407)

1. Description of organization and summary of significant accounting policies:

Description of business:

The accounting policies of Arizona Public Media (AZPM or the Organization) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental colleges and universities engaged in business-type activities as promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Reporting Guidelines published by the Corporation for Public Broadcasting (CPB), unless those pronouncements conflict with GASB pronouncements.

Reporting entity:

Arizona Public Media is a division of the University of Arizona (the University or U of A), which functions as a public communications entity. KUAT-TV, KUAT-FM and KUAZ/KUAZ-FM (the Stations) are licensed by the Federal Communication Commission (FCC) as noncommercial, educational broadcasting stations. For financial statement purposes, KUAT-TV includes KUAT-TV, KUAS-TV, KUAT-DT, KUAS-DT and also provides a production and distribution service, which operates an Education Broadband Service (EBS) and a Multipoint Distribution System (MDS) in conjunction with satellite, microwave and Internet services to provide instructional programming services.

The financial statements include all funds directly controlled by Arizona Public Media. Fiscal responsibility remains with the University of Arizona.

Basis of accounting:

The basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of AZPM are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. All interdepartmental activity is eliminated.

Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

1. Description of organization and summary of significant accounting policies (continued):

Financial statement presentation (continued):

The Statements of Net Position provide information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Deferred outflows/inflows of resources are resources that will be consumed or acquired in a future reporting period. Net position is classified according to external restrictions or availability of assets to satisfy obligations. Investment in capital assets represents the cost of capital assets, net of accumulated depreciation. Nonexpendable restricted net position represents gifts received for endowment purposes, the corpus of which may not be expended. Expendable restricted net position represent grants, contracts, gifts and other resources that have been externally restricted for specific purposes. Unrestricted net position includes the remaining amounts of net position, including those that have been designated by management to be used for other than general operating purposes.

The Statements of Revenues, Expenses and Changes in Net Position provide information about AZPM's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating and all changes in net position are reported, including capital contributions and additions to endowments. Generally, revenues generated by AZPM for services are considered to be operating revenues. Other revenues, such as University appropriations and gifts, are not considered generated from operations and are reported as nonoperating revenues. Operating expenses include the gain (loss) on disposal of capital assets.

The Statements of Cash Flows provide information about AZPM's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital financing or investing activities.

AZPM elected to early implement the provisions of GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*. GASB Statement No. 82 changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Cash and cash equivalents:

The Organization's cash and cash equivalents are held by the University and by the University of Arizona Foundation (Foundation).

Funds held by the University of Arizona:

The University acts as a collection and disbursement agent on behalf of AZPM. Funds held by the University represent the excess of cash collected over cash disbursed and are due on demand. Therefore, these amounts are considered cash and cash equivalents for purposes of reporting cash flows.

1. Description of organization and summary of significant accounting policies (continued):

Funds held by the University of Arizona (continued):

Under Arizona state law and Board of Regents' policies, the University may invest its pooled operating funds in collateralized time certificates of deposit and repurchase agreements with commercial banks, United States treasury securities and other federal agency securities or in the government investment pool administered by the State Treasurer's office. Cash amounts held in excess of federal depository insurance limits are otherwise collateralized by U.S. government obligations held by an agent of the bank in the name of the State of Arizona.

Funds held by the University of Arizona Foundation:

Amounts on deposit with the Foundation are cash collected and invested for AZPM by the Foundation. The balance is due to AZPM on demand. Therefore, these amounts are considered cash and cash equivalents for purposes of reporting cash flows.

The Foundation invests such funds in a combination of fixed income securities, government obligations, treasury obligations, cash and cash equivalents, and other federal agency obligations in order to achieve a diversified portfolio.

Fair value measurements:

During the year, the Organization implemented Governmental Accounting Standards Board (GASB) Statements No. 72 *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants.* Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. Mutual funds are valued at quoted market prices. The fair value for the commingled funds and qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Accounts receivable:

Accounts receivable consist primarily of pledge receivables and are recognized as revenues in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend on are substantially met. Unconditional promises to give are recorded at net realizable value.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific doubtful accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible. The Organization has recorded allowances for doubtful accounts of $131,000 and $98,000 at June 30, 2016 and 2015.

1. Description of organization and summary of significant accounting policies (continued):

Endowment investments:

Endowment assets have been donated to AZPM and are permanently restricted by the donor. Endowment assets are held and invested by the Foundation in an external investment pool at June 30, 2016 and 2015. At June 30, 2016 and 2015, the external investment pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, private equity and hedge funds. At June 30, 2016 and 2015, the weighted average maturity of investments was approximately four years. The investment pools are not rated.

Investments are carried at fair value and realized and unrealized gains and losses are reflected as nonoperating revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

The following is the spending policy for investments held at the University: Arizona State law permits the University to expend the entire net appreciation of endowment fund investments. The Foundation's Investments Committee is responsible for oversight of the Pool. For fiscal year 2016, the expendable rate was established at 4% of the three-year average market value ended December 31, 2013.

The following is the spending policy for investments held at the Foundation: The Foundation's policy is to payout a percentage of the average fair value of the corpus of an endowment at the calendar year-end of the three previous years. When determining the payout rate for endowment funds, the Investment Committee considers actual return on the investments, current payout rate, payout rates established by other university endowments and general economic conditions. For fiscal year 2016, the payout rate was established at 4%.

Capital assets:

Capital assets, which include transmission, antenna, tower, studio, equipment and furniture, fixtures and equipment are reported in the financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

1. Description of organization and summary of significant accounting policies (continued):

Capital assets (continued):

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Transmission, antenna and tower	15 years
Studio, equipment and furniture, fixtures and equipment (FF&E)	5 - 7 years

Estimated useful lives of assets outside of the above classes are based on their estimated useful lives. Interest is capitalized in connection with the construction of major facilities. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

Compensated absences:

Compensated absences and compensatory time is earned at rates dependent on the length of employment and can be accumulated to a specified maximum number of days. Accordingly, these benefits are accrued as a liability in the financial statements for the maximum number of days. Upon termination or retirement, a set number of accrued vacation and compensatory hours will be paid to employees.

Deferred outflows and inflows of resources:

The Statements of Net Position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as a revenue in future periods.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The plan's investments are reported at fair value.

Revenues and support recognition:

Federal grants, contracts and appropriations and nongovernmental grants and contracts are accounted for as exchange transactions and are recorded as operating revenue when earned. Advances in excess of costs incurred under grants and contracts are deferred and recognized as revenue when the related expense is incurred.

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support (continued):

Auxiliary enterprise revenue results mainly from the sale of production services, lease of broadcast rights and video sales of programming. In addition, AZPM leases certain excess capacity EBS and MDS frequencies and other spectrum to third-parties. All such revenue is reported as operating revenue when services have been provided or products have been shipped.

As a division of the University of Arizona, AZPM receives an annual appropriation from the University. The appropriation is reported as nonoperating revenue in the year appropriated.

Subscription and membership income are considered unconditional promises to give and are reported as unrestricted nonoperating revenue in the period the pledge is made. An allowance is made for uncollectible accounts.

Revenue related to program underwriting is recognized as unrestricted nonoperating revenue in the period the agreement is executed.

Other gifts received for the purpose of supporting programming costs are recognized as nonoperating revenue in the period the promise to give is made. CPB funding is contingent on certain performance factors and, as a result, is recognized as unrestricted nonoperating revenue in the year received. Other gifts are considered to be unrestricted unless specifically restricted by the donor. AZPM records donor-restricted gifts that have not been expended in the current year as restricted net position.

Indirect administrative support from the University consists of allocated institutional support incurred by various other divisions of the University for which AZPM receives benefits. The fair value of this support is recognized in the Statements of Revenues, Expenses and Changes in Net Position as donated facilities and administrative support from the U of A and also as an expense. For the year ended June 30, 2016 and 2015, indirect support was calculated using the University's indirect rate modified to exclude certain cost components that do not benefit AZPM.

Functional allocation of expenses:

Expenses that can be identified with a specific program of supporting service are charged directly to the program according to their natural expense classification. Costs incurred that share a common purpose are allocated based on total personnel costs or other systematic bases.

Income taxes:

The University has received approval for federal tax-exempt status from the Internal Revenue Service and is also exempt from state income taxes. Accordingly, no provision is made for corporate income taxes in the accompanying financial statements. Management is not aware of any matters which would cause the University or AZPM to lose its tax-exempt status.

1. Description of organization and summary of significant accounting policies (continued):

Reclassifications:

The 2015 financial statements have been reclassified in order to conform to the 2016 financial statement presentation. The reclassifications had no effect on the financial position as of June 30, 2015 or on the changes in financial position for the year then ended.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2016 through December 23, 2016, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Cash and cash equivalents and endowment investments:

The Organization's cash and cash equivalents and investments consist of the following at June 30, 2016 and 2015:

	2016	2015
Cash and cash equivalents		
Held by the University of Arizona	$ 11,314,916	$ 10,589,345
Held by the University of Arizona Foundation	3,484,558	3,018,743
	$ 14,799,474	$ 13,608,088
Endowment investments:		
Endowment held by the University of Arizona	$ 87,372	$ 90,807
Endowment held by the University of Arizona Foundation	1,520,952	1,379,529
	$ 1,608,324	$ 1,470,336

AZPM's cash and investments held with the Foundation represent a portion of the Foundation's investment pool portfolio; however, AZPM's portion is not identified with specific investments. The University of Arizona Foundation's pool invests in U.S. Treasury, U.S. agencies, mutual funds, certificates of deposit, and corporate bonds and equities. A summary of the University's risk policies for deposits and investments follows:

Interest rate risk:

The University does not have a formal policy for interest rate risk.

2. Cash and cash equivalents and endowment investments (continued):

Credit risk:

With regard to credit risk, University policy restricts investment of the operating funds to certificates of deposit and collateralized repurchase agreements, United States Treasury securities, federal agency securities, investment grade corporate bonds or the government investment pool administered by the State Treasurer's Office. When investing operating funds, University policy requires corporate bonds and notes to be of investment grade quality, rated Baa or higher by Moody's Investors Service, at the time of purchase.

Custodial credit risk deposits:

In the case of deposits, this is the risk that in the event of bank failure, AZPM's deposits may not be returned. University policy for its operating funds requires all repurchase agreements to be collateralized with government debt securities or cash balances held in the comptroller's demand account. Beyond this requirement and those established by Statue or the Board, the University does not have a policy that specifically addresses custodial risk.

3. Fair value measurements:

The Organization measures and categorizes its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines establish a three-tier hierarchy of inputs to valuation techniques used to measure fair value, as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs, other than quoted market prices included within Level 1, are observable, either directly or indirectly.

Level 3 - Inputs are unobservable and significant to the fair value measurement.

Other investments at fair value - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited party interest, without quoted prices.

3. Fair value measurements (continued):

At June 30, 2016, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Other investments at fair value	Level 1	Level 2	Level 3
External investment pools:					
Endowment held by University of Arizona	$ 87,372	$ 87,372	$ -	-	-
Endowment held by the University of Arizona Foundation	1,520,952	1,520,952	-	-	-
	$1,608,324	$1,608,324	$ -	$ -	$ -

At June 30, 2015, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Other investments at fair value	Level 1	Level 2	Level 3
External investment pools:					
Endowment held by University of Arizona	$ 90,807	$ 90,807	$ -	-	-
Endowment held by the University of Arizona Foundation	1,379,529	1,379,529	-	-	-
	$1,470,336	$1,470,336	$ -	$ -	$ -

The fair value of a participant's portion in the University of Arizona and University of Arizona Foundation's investment pools approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments. The investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. There are no unfunded commitments or redemption restrictions related to these investments.

The University of Arizona and University of Arizona Foundation's investment pool invests primarily in U.S. Treasury, U.S. agencies, mutual funds, certificates of deposit, and corporate bonds and equities.

4. Accounts receivable, net:

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 Total	June 30, 2015 Total
Subscription and membership	$ 502,546	$ 58,885	$ 192,744	$ 754,175	$ 587,917
Underwriting and business	98,268	43,675	403,991	545,934	484,529
Auxiliary enterprises	7,771	1,071	1,071	9,913	6,350
	608,585	103,631	597,806	1,310,022	1,078,796
Less allowance for doubtful accounts	84,920	14,080	32,000	131,000	98,000
	$ 523,665	$ 89,551	$ 565,806	$1,179,022	$ 980,796

5. Capital assets:

	June 30, 2015	Additions	Retirements	June 30, 2016
Transmission, antenna and tower	$ 2,709,159	$ 68,436	$ -	$ 2,777,595
Studio, equipment, FF&E	6,308,371	313,305	(45,180)	6,576,496
Total depreciable capital assets	9,017,530	381,741	(45,180)	9,354,091
Less accumulated depreciation:				
Transmission, antenna and tower	2,169,694	168,572	-	2,338,266
Studio, equipment, FF&E	5,262,919	268,766	(45,180)	5,486,505
Total accumulated depreciation	7,432,613	437,338	(45,180)	7,824,771
Capital assets, net	$ 1,584,917	$ (55,597)	$ -	$ 1,529,320

	June 30, 2014	Additions	Retirements	June 30, 2015
Transmission, antenna and tower	$ 2,709,159	$ -	$ -	$ 2,709,159
Studio, equipment, FF&E	6,654,186	82,794	(428,609)	6,308,371
Total depreciable capital assets	9,363,345	82,794	(428,609)	9,017,530
Less accumulated depreciation				
Transmission, antenna and tower	2,005,684	164,010	-	2,169,694
Studio, equipment, FF&E	5,471,504	220,024	(428,609)	5,262,919
Total accumulated depreciation	7,477,188	384,034	(428,609)	7,432,613
Capital assets, net	$ 1,886,157	$ (301,240)	$ -	$ 1,584,917

5. Capital assets (continued):

Depreciation expense totaled $437,338 and $384,034 for the years ended June 30, 2016 and 2015. AZPM has purchased transmission and studio assets with grants from the Public Telecommunications Facilities Program (PTFP) with an original cost of $3,429,665 and with a net book value of $86,506 and $173,012 at June 30, 2016 and 2015. PTFP funded assets are subject to a 10-year lien from the date of project completion. The PTFP has the ability to seize the assets if not used in accordance with the grant agreement.

6. Restrictions on net position:

AZPM receives grants and funding from various sources to be used for operations, production and promotion of certain activities. A summary of the nonexpendable and expendable restricted net position as of June 30, 2016 and 2015 is as follows:

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 Total	June 30, 2015 Total
Nonexpendable endowments:					
Radio Production - NEA Challenge	$ -	$ 241,682	$ 241,682	$ 483,364	$ 523,908
Bashevdin Endowment	7,907	-	-	7,907	8,218
Gordon Endowment	24,763	-	-	24,763	22,947
Shandell Endowment	785,270	-	-	785,270	850,784
Raney Endowment	117,847	58,923	58,923	235,693	26,818
Hildebrand Endowment	-	61,293	-	61,293	37,661
Schmidt Endowment	5,016	2,508	2,508	10,032	-
	940,803	364,406	303,113	1,608,322	1,470,336
Expendable - station programs/projects:					
Mental Health Reporter	100,347	-	-	100,347	42,518
Local production	128,568	-	-	128,568	178,577
Great Voices Radio Series support	-	9,323	-	9,323	9,323
Program acquisition/production	5,000	4,360	4,360	13,720	11,070
Operational support excluding administrative costs	36,451	-	-	36,451	36,451
	270,366	13,683	4,360	288,409	277,939
Capital projects	20,472	-	-	20,472	23,803
	$1,231,641	$ 378,089	$ 307,473	$1,917,203	$1,772,078

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

7. Investment income (loss):

A summary of investment income (loss) by station at June 30 is as follows:

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 Total	June 30, 2015 Total
Interest and dividends	$ 79,114	$ 27,124	$ 15,166	$ 121,404	$ 97,328
Net unrealized loss on investments	(150,669)	(52,250)	(28,781)	(231,700)	(86,473)
	$ (71,555)	$ (25,126)	$ (13,615)	$(110,296)	$ 10,855

8. Related party transactions:

AZPM receives a portion of its revenues and support from the University in the form of a general appropriation for operation purposes totaling $1,914,345 and $2,497,686 for the years ended June 30, 2016 and 2015.

AZPM has been advised by the University that its general appropriation will be reduced by $2,000,000 to be phased in evenly over 5 fiscal years. The reduction commenced on July 1, 2014.

AZPM receives administrative support from the University in the form of legal and accounting services, use of facilities, repairs and maintenance, and other administrative support. In addition, facilities not directly related to AZPM stations are owned by the University and used by AZPM. The indirect support value is calculated based on the Other Sponsored Activities Method developed by the Corporation for Public Broadcasting. The indirect support, recorded in nonoperating revenues, totaled $1,747,505 and $1,765,809 for the years ended June 30, 2016 and 2015.

9. Retirement plans:

As part of the University, AZPM participates in one cost-sharing, multiple-employer defined benefit pension plan and two defined contribution pension plans.

Defined benefit plan:

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan. Full benefit eligible Classified Staff are required, and full benefit eligible AZPM professionals have the option to participate in the ASRS defined benefit plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. That report may be obtained by visiting www.azasrs.gov.

9. Retirement plans (continued):

Defined benefit plan (continued):

Benefits provided - The ASRS provides retirement and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date: Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*with actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability.

For the years ended June 30, 2016 and 2015, active ASRS members were required by statute to contribute at the following actuarially determined rates on members' annual covered payroll:

	2016	2015
Employee contribution rate	11.35 %	11.48 %
Employer contribution rate	10.85 %	10.89 %

9. Retirement plans (continued):

Defined benefit plan (continued):

In addition, the University/AZPM was required by statute to contribute for retired members who worked for the University/AZPM in positions that would typically be filled by an employee who contributes to the ASRS. For the years ended June 30, 2016 and 2015 the actuarial determined rates on retired members' annual covered payroll were as follows:

	2016	2015
Employer contribution rate	9.17 %	9.31 %

AZPM's contributions to the pension plan for the year ended June 30, 2016 and 2015 were $308,270 and $297,737.

Pension liability - At June 30, 2016 and 2015, AZPM reported a liability of $4,599,825 and $4,789,299 for its proportionate share of the ASRS' net pension liability. The 2016 net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. AZPM's proportion of the net pension liability was based on AZPM's actual contributions to the plan relative to the total of the University's contributions. The University's contributions for the years measured as of June 30, 2015 and 2014 was 3.91% and 3.94% of the total of all participating employer's contributions (decrease of 0.03%). AZPM's proportion measured as of June 30, 2015 and 2014 was 0.76% and 0.82% of the total University's contribution (decrease of 0.06%).

Pension expense and deferred outflows/inflows of resources - For the years ended June 30, 2016 and 2015, AZPM recognized pension expense for ASRS of $(456,925) and $377,047. At June 30, 2016 and 2015, AZPM reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

9. Retirement plans (continued):

Defined benefit plan (continued):

	June 30, 2016		June 30, 2015	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 125,518	$ -	$ 243,404	$ -
Net difference between projected and actual earnings on pension plan investments	-	417,271	-	837,503
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,217	-	94,651	-
Contributions subsequent to the measurement date	308,270	-	297,737	-
	$ 483,005	$ 417,271	$ 635,792	$ 837,503

The $308,270 reported as deferred outflows of resources related to ASRS pensions resulting from AZPM'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 ASRS pensions will be recognized in pension expense as follows:

Years ending June 30,	
2017	$ (72,861)
2018	(166,946)
2019	(109,140)
2020	106,418
	$ (242,529)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal

9. Retirement plans (continued):

Defined benefit plan (continued):

Investment rate of return	8%
Projected salary increases	3% - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Equity	58 %	6.79 %
Fixed income	25 %	3.70 %
Real estate	10 %	3.93 %
Multi-asset class	5 %	4.25 %
Commodities	2 %	3.41 %
	100 %	

Discount rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension 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.

9. Retirement plans (continued):

Defined benefit plan (continued):

Sensitivity of the AZPM's proportionate share of the ASRS net pension liability to changes in the discount rate - The following table presents the AZPM's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what AZPM'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 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
AZPM's proportionate share of the net pension liability	$ 6,027,342	$ 4,599,825	$ 3,621,509

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Defined contribution plans:

Plan description - In accordance with ARS §15-1628, University faculty, academic professionals, and administrative officers have the option to participate in defined contribution pension plans. For the year ended June 30, 2016 and 2015, plans offered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF) and Fidelity Investments Tax-Exempt Services Company (Fidelity) were approved by the Arizona Board of Regents. Benefits under these plans depend solely on the contributed amounts and the returns earned on investments of those contributions. Contributions made by members vest immediately; University contributions vest after five years of full-time employment. Non-vested contributions held by the University earn interest. Member and University contributions and associated returns earned on investments may be withdrawn upon termination of employment, death or retirement. The distribution of member contributions and associated investment earnings are made in accordance with the member's contract with the applicable insurance and annuity companies.

Funding policy - The Arizona State Legislature establishes the contribution rates for active plan members and the University/AZPM. For the years ended June 30, 2016 and 2015, plan members and the University/AZPM were each required by statute to contribute an amount equal to 7 percent of a member's compensation.

Pension liability - At June 30, 2016 and 2015, AZPM reported a liability of $46,685 and $20,732 for non-vested defined contributions. If individuals terminate employment prior to vesting, any non-vested University/AZPM contributions are retained by the University/AZPM.

Pension expense - For the years ended June 30, 2016 and 2015, AZPM recognized pension expense for Defined Contribution Plans of $54,134 and $36,486. For the years ended June 30, 2016 and 2015, no forfeitures were utilized to reduce AZPM's pension expense.

10. Other post-employment benefits (OPEB):

In addition to the pension benefits described in Note 9, ASRS provides health insurance premium supplemental benefits and disability benefits to retired members, disabled members and eligible dependents through the Health Benefit Supplement Fund (HBS) and the Long-Term Disability Fund (LTD), which are cost-sharing, multiple-employer defined benefit post-employment plans. Title 38, Chapter 5 of the A.R.S. assigns the authority to establish and amend the benefit provisions of the HBS plan and the LTD plan to the Arizona State Legislature. ASRS issues a publicly available financial report that includes the financial information and disclosure requirements for the HBS plan and the LTD plan.

For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 0.12 percent of the members' annual covered payroll for long-term disability, and statute required the University to contribute at the actuarially determined rate of the active members' annual covered payroll of 0.50 percent for health insurance premium benefit and 0.12 percent for long-term disability. In addition, the University was required by statute to contribute 0.13 percent for health insurance premium benefit and 0.06 percent for long-term disability based on annual covered payroll of retired members who worked for the University in positions that an employee who contributes to the ASRS would typically fill. The University's OPEB contributions for the current and two preceding years, all of which were equal to the required contributions, were allocated to AZPM as follows:

Years ended June 30	Health Benefit Supplement Fund	Long-term Disability Fund
2016	$ 14,072	$ 3,455
2015	$ 15,886	$ 3,304
2014	$ 16,100	$ 6,961

The Arizona Department of Administration (ADOA) administers a single-employer defined benefit post-employment plan that provides medical and accident benefits to retired State employees, including University employees and their dependents. Title 38, Chapter 4 of the A.R.S. assigns the authority to establish and amend the benefit provisions to the Arizona State Legislature. The ADOA pays the medical costs incurred by retired employees minus a specified premium amount, which is paid for entirely by the retiree or on behalf of the retiree. These premium rates are based on a blend of active employee and retiree experience, resulting in a contribution basis that is lower than the expected claim costs for retirees only, which results in an implicit subsidization of retirees by the State. ADOA does not issue a separate, publicly available financial report.

10. Other post-employment benefits (continued):

A portion of the ADOA plan's implicit rate subsidy, if not fully funded, represents an obligation to the University, for its proportionate share of the net OPEB obligation. The net OPEB obligation is allocated to the University, and to AZPM, based on its percentage of contributions to the ADOA medical and dental plans. Prior to 2016, the University and AZPM did not report its proportionate share of the net OPEB obligation due to its relative insignificance to the financial statements; therefore, only current year data will be included in the following disclosures as 2016 is the first year AZPM has recognized a net OPEB obligation in its financial statements.

Changes in AZPM's net OPEB obligation during the year ended June 30, 2016 were as follows:

Beginning balance	$ -
Increases	231,172
Decreases	32,279
Ending balance	$ 198,893

Funding policy:

The ADOA's current funding policy for the single-employer plan is pay-as-you-go for OPEB benefits. There are no dedicated assets at this time to offset the actuarial accrued liability. To the extent that the calculated annual required contribution exceeds the annual pay-as-you-go cost of providing OPEB benefits, a net OPEB obligation is created.

Annual OPEB cost and net OPEB obligation:

AZPM's annual OPEB costs, OPEB contributions made and changes in AZPM's proportionate net OPEB obligation for the ADOA's employer defined post-employment plan for the year ended June 30, 2016 are as follows:

Normal cost	$ 113,344
Amortization of unfunded actuarial accrued liability	78,040
Annual required contribution	191,384
Interest on net OPEB obligation	1,217
Adjustment to annual required contribution	(2,011)
Annual OPEB cost (expense)	190,590
Contributions made	(32,279)
Increase in net OPEB obligation	158,311
Net OPEB obligation - beginning of year	40,582
Net OPEB obligation - end of year	$ 198,893

10. Other post-employment benefits (continued):

Annual OPEB cost and net OPEB obligation (continued):

AZPM's proportion of the annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current year of the ADOA single-employer defined benefit post-employment plan are as follows:

Year ended	Annual OPEB cost	Actual contributions	Percentage of annual OPEB cost contributed	Net OPEB obligation
June 30, 2016	$ 190,590	$ 32,279	16.94 %	$ 198,893

Funded status and funding progress:

The funded status of the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation date of June 30, 2016 showed an actuarial accrued liability and an unfunded actuarial accrued liability of $1,575,541 because the actuarial value of assets was zero, resulting in a 0% funded ratio. Based on an annual covered payroll of $4,684,462, the unfunded actuarial accrued liability was 33.6% of covered payroll.

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 healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the plan, and on the pattern of sharing costs between the employer and plan members to that point, and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

10. Other post-employment benefits (continued):

The actuarial methods and significant assumptions for the ADOA single-employer defined benefit post-employment plan for the most recent actuarial valuation are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal - level dollar
Amortization method	Level dollar, open
Remaining amortization period	30 Years
Asset valuation method	Not applicable
Valuation interest rate (assumed investment return)	3.00% per annum
Projected medical inflation	7.00%, then grading down to an ultimate rate of 4.50% over 8 years
Aggregate payroll growth (inflationary effects only)	0.00%

11. Individual station financial information:

STATEMENTS OF NET POSITION

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 combined total	June 30, 2015 combined total
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents:					
Funds held by the U of A	$ 8,694,714	$ 435,000	$ 2,185,202	$ 11,314,916	$ 10,589,345
Funds held by the U of A Foundation	2,571,723	387,367	525,468	3,484,558	3,018,743
Accounts receivable, net	523,665	89,551	565,806	1,179,022	980,796
Prepaid expenses	134,670	101,701	110,873	347,244	139,543
Interfund eliminations (transfers between stations)	(1,949,002)	271,333	1,677,669	-	-
Total current assets	9,975,770	1,284,952	5,065,018	16,325,740	14,728,427
Capital assets, net	1,094,746	168,074	266,500	1,529,320	1,584,917
Endowment investments	940,803	364,407	303,114	1,608,324	1,470,336
Other assets	67,592	-	-	67,592	54,166
Total assets	12,078,911	1,817,433	5,634,632	19,530,976	17,837,846
Deferred outflows of resources:					
Deferred outflows related to pensions	294,629	77,293	111,083	483,005	635,792
Total assets and deferred outflows of resources	12,373,540	1,894,726	5,745,715	20,013,981	18,473,638

11. Individual station financial information (continued):

STATEMENTS OF NET POSITION (CONTINUED)

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 combined total	June 30, 2015 combined total
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	$ 70,584	$ 21,597	$ 44,306	$ 136,487	$ 143,586
Accrued expenses and other liabilities	368,786	87,102	118,083	573,971	512,154
Unearned revenue	-	1,308	7,687	8,995	6,498
Current portion of defined contribution plans liability	8,328	2,184	3,140	13,652	9,973
Total current liabilities	447,698	112,191	173,216	733,105	672,211
Defined contribution plans liability, net of current portions	20,150	5,285	7,598	33,033	10,759
Net pension liability	2,805,799	736,248	1,057,778	4,599,825	4,789,299
Net OPEB liability	121,412	31,567	45,914	198,893	-
Total liabilities	3,395,059	885,291	1,284,506	5,564,856	5,472,269
Deferred inflows of resources:					
Deferred inflows related to pensions	254,527	66,788	95,956	417,271	837,503
Total liabilities and deferred inflows of resources	3,649,586	952,079	1,380,462	5,982,127	6,309,772
Net position					
Investment in capital assets	1,094,746	168,074	266,500	1,529,320	1,584,917
Restricted:					
Nonexpendable - endowments	940,803	364,406	303,113	1,608,322	1,470,336
Expendable - station programs/projects	270,366	13,683	4,360	288,409	277,939
Expendable - capital projects	20,472	-	-	20,472	23,803
Unrestricted	6,397,567	396,484	3,791,280	10,585,331	8,806,871
Total net position	$ 8,723,954	$ 942,647	$ 4,365,253	$ 14,031,854	$ 18,473,638

11. Individual station financial information (continued):

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	KUAT-TV	KUAT-FM	KUAZ	June 30, 2016 combined total	June 30, 2015 combined total
Operating revenues:					
Grants and contracts	$ -	$ 5,861	$ 31,128	$ 36,989	$ 20,000
Auxiliary enterprises	304,001	16,200	16,134	336,335	353,975
	304,001	22,061	47,262	373,324	373,975
Operating expenses:					
Program services:					
Programming and production	3,637,964	576,883	1,502,622	5,717,469	5,943,499
Broadcasting	1,127,196	94,057	131,630	1,352,883	1,338,111
Public information and promotion	394,401	68,836	73,036	536,273	516,751
Support services:					
Management and general	596,444	192,591	195,724	984,759	977,732
Fundraising and membership development	1,292,783	369,666	668,529	2,330,978	2,202,791
Total operating expenses	7,048,788	1,302,033	2,571,541	10,922,362	10,978,884
Operating loss	(6,744,787)	(1,279,972)	(2,524,279)	(10,549,038)	(10,604,909)
Nonoperating revenues (losses):					
General appropriation from U of A	1,210,310	253,895	450,140	1,914,345	2,497,686
Donated facilities and administrative support from U of A	1,114,263	212,754	420,488	1,747,505	1,765,809
Corporation for Public Broadcasting grants	1,258,622	-	270,081	1,528,703	1,537,741
Subscription and membership income	1,921,426	339,801	917,654	3,178,881	3,002,550
Business and underwriting	253,366	92,535	970,142	1,316,043	1,242,586
Legacies and bequests	1,182,752	147,404	309,783	1,639,939	1,230,700
Other gifts and contributions	118,182	84,662	56,417	259,261	895,946
Investment loss, net	(71,555)	(25,126)	(13,615)	(110,296)	10,855
Other nonoperating revenues	543,436	9,391	9,391	562,218	670,421
Nonoperating revenues (losses)	7,530,802	1,115,316	3,390,481	12,036,599	12,854,294
Increase (decrease) before capital additions	786,015	(164,656)	866,202	1,487,561	2,249,385
Capital grants, gifts and conveyances	349,137	31,290	-	380,427	32,790
Increase (decrease) in net position	1,135,152	(133,366)	866,202	1,867,988	2,282,175
Net position, beginning of year	7,588,802	1,076,013	3,499,051	12,163,866	9,881,691
Net position, end of year	$ 8,723,954	$ 942,647	$ 4,365,253	$ 14,031,854	$ 12,163,866

Required Supplementary Information

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

SCHEDULE OF AZPM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COST SHARING PLAN (ASRS)

YEAR ENDED JUNE 30, 2016
(schedule to be built prospectively from 2014; 2013 - 2005 information not available)

Reporting fiscal year (Measurement date)	2016 (2015)	2015 (2014)	2014 (2013)	2013 (2012)	2012 (2011)	2011 (2010)	2010 (2009)	2009 (2008)	2008 (2007)	2007 (2006)
AZPM's proportion of the net pension liability	0.7561 %	0.8218 %	- %	- %	- %	- %	- %	- %	- %	- %
AZPM's proportionate share of the net pension liability	4,599,825	4,789,299	-	-	-	-	-	-	-	-
AZPM's covered payroll*	2,832,105	2,791,097	-	-	-	-	-	-	-	-
AZPM's proportionate share of the net pension liability as a percentage of its covered payroll	162 %	172 %	- %	- %	- %	- %	- %	- %	- %	- %
Plan fiduciary net position as a percentage of total pension liability	68 %	69 %	- %	- %	- %	- %	- %	- %	- %	- %

*Note: Change in accounting principle
For the year ended June 30, 2016, the University implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

ARIZONA PUBLIC MEDIA
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SCHEDULE OF PENSION CONTRIBUTIONS

YEAR ENDED JUNE 30, 2016
(schedule to be built prospectively from 2014; 2013 - 2005 information not available)

Reporting fiscal year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Arizona State Retirement System (ASRS)										
Statutorily required contribution	$ 308,270	$ 297,737	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	308,270	297,737	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AZPM's covered payroll*	$ 2,865,148	$ 2,832,105	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	10.76 %	10.51 %	- %	- %	- %	- %	- %	- %	- %	- %

ARIZONA PUBLIC MEDIA
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SINGLE-EMPLOYER OPEB PLAN FUNDING PROGRESS

YEAR ENDED JUNE 30, 2016
(schedule to be built prospectively from 2016; 2012 - 2014 information not available)

Analysis of the funding progress for the ADOA single-employer defined benefit post-employment plan, as of the most recent actuarial valuations, is as follows:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAL)	Funded ratio	Annual covered payroll	UAL (funding excess) as a percentage of covered payroll
June 30, 2016	$ -	$ 1,575,541	$ 1,575,541	- %	$ 4,684,462	33.6 %

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENT OF FUNCTIONAL EXPENSES BY STATION

YEAR ENDED JUNE 30, 2016

	Program Services				Supporting Services			
	Programming and production	Broadcasting	Public info and promotion	Total program services	Management and general	Fundraising and membership development	Total supporting services	Total expenses
KUAT - TV								
Salaries	$ 1,368,741	$ 538,409	$ 306,034	$ 2,213,184	$ 401,563	$ 373,663	$ 775,226	$ 2,988,410
General operations	1,451,478	289,352	21,096	1,761,926	92,096	699,309	791,405	2,553,331
Travel and training	17,134	3,176	1,538	21,848	3,378	4,347	7,725	29,573
Indirect administration support	567,471	166,188	65,733	799,392	99,407	215,464	314,871	1,114,263
Depreciation	233,140	130,071	-	363,211	-	-	-	363,211
Total KUAT - TV expenses	3,637,964	1,127,196	394,401	5,159,561	596,444	1,292,783	1,889,227	7,048,788
KUAT - FM								
Salaries	332,868	58,846	50,441	442,155	126,902	207,934	334,836	776,991
General operations	131,762	12,280	6,451	150,493	32,167	98,950	131,117	281,610
Travel and training	1,766	335	471	2,572	1,423	1,171	2,594	5,166
Indirect administration support	93,279	14,292	11,473	119,044	32,099	61,611	93,710	212,754
Depreciation	17,208	8,304	-	25,512	-	-	-	25,512
Total KUAT - FM expenses	576,883	94,057	68,836	739,776	192,591	369,666	562,257	1,302,033
KUAZ								
Salaries	592,407	55,351	52,863	700,621	122,414	307,086	429,500	1,130,121
General operations	642,729	28,937	7,529	679,195	39,067	247,842	286,909	966,104
Travel and training	1,700	239	471	2,410	1,622	2,181	3,803	6,213
Indirect administration support	247,368	16,906	12,173	276,447	32,621	111,420	144,041	420,488
Depreciation	18,418	30,197	-	48,615	-	-	-	48,615
Total KUAZ expenses	1,502,622	131,630	73,036	1,707,288	195,724	668,529	864,253	2,571,541
	$ 5,717,469	$ 1,352,883	$ 536,273	$ 7,606,625	$ 984,759	$ 2,330,978	$ 3,315,737	$ 10,922,362

ARIZONA PUBLIC MEDIA
(A Division of the University of Arizona)

STATEMENT OF FUNCTIONAL EXPENSES BY STATION

YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services			
	Programming and production	Broadcasting	Public info and promotion	Total program services	Management and general	Fundraising and membership development	Total supporting services	Total expenses
KUAT - TV								
Salaries	$ 1,834,679	$ 606,605	$ 259,263	$ 2,700,547	$ 382,168	$ 397,207	$ 779,375	$ 3,479,922
General operations	1,429,766	253,895	25,759	1,709,420	72,156	673,107	745,263	2,454,683
Travel and training	4,585	3,402	1,278	9,265	5,413	1,661	7,074	16,339
Indirect administration support	653,806	172,781	57,260	883,847	91,947	214,395	306,342	1,190,189
Depreciation	185,270	130,071	-	315,341	-	-	-	315,341
Total KUAT - TV expenses	4,108,106	1,166,754	343,560	5,618,420	551,684	1,286,370	1,838,054	7,456,474
KUAT - FM								
Salaries	151,027	63,971	60,890	275,888	139,706	169,165	308,871	584,759
General operations	128,453	4,480	5,686	138,619	23,805	77,178	100,983	239,602
Travel and training	64	184	274	522	1,674	648	2,322	2,844
Indirect administration support	55,909	13,727	13,370	83,006	33,037	49,398	82,435	165,441
Depreciation	17,027	3,741	-	20,768	-	-	-	20,768
Total KUAT - FM expenses	352,480	86,103	80,220	518,803	198,222	296,389	494,611	1,013,414
KUAZ								
Salaries	566,213	38,275	71,452	675,940	160,278	302,563	462,841	1,138,781
General Operations	653,369	7,422	5,750	666,541	27,696	213,282	240,978	907,519
Travel and training	1,405	184	274	1,863	1,881	848	2,729	4,592
Indirect administration support	244,198	9,176	15,495	268,869	37,971	103,339	141,310	410,179
Depreciation	17,728	30,197	-	47,925	-	-	-	47,925
Total KUAZ expenses	1,482,913	85,254	92,971	1,661,138	227,826	620,032	847,858	2,508,996
	$ 5,943,499	$ 1,338,111	$ 516,751	$ 7,798,361	$ 977,732	$ 2,202,791	$ 3,180,523	$ 10,978,884