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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

June 30, 2018 and 2017

Prepared by

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KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
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CONTENTS

INTRODUCTION

The management's discussion and analysis (MD&A) provides an overview of KUFM-FM Radio's (KUFM) financial position and activities for the fiscal years ended June 30, 2018 and 2017. The MD&A emphasizes the current year and identifies any economic or financial factors which could have a significant impact on future operations. This discourse has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

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

USING THE FINANCIAL STATEMENTS

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

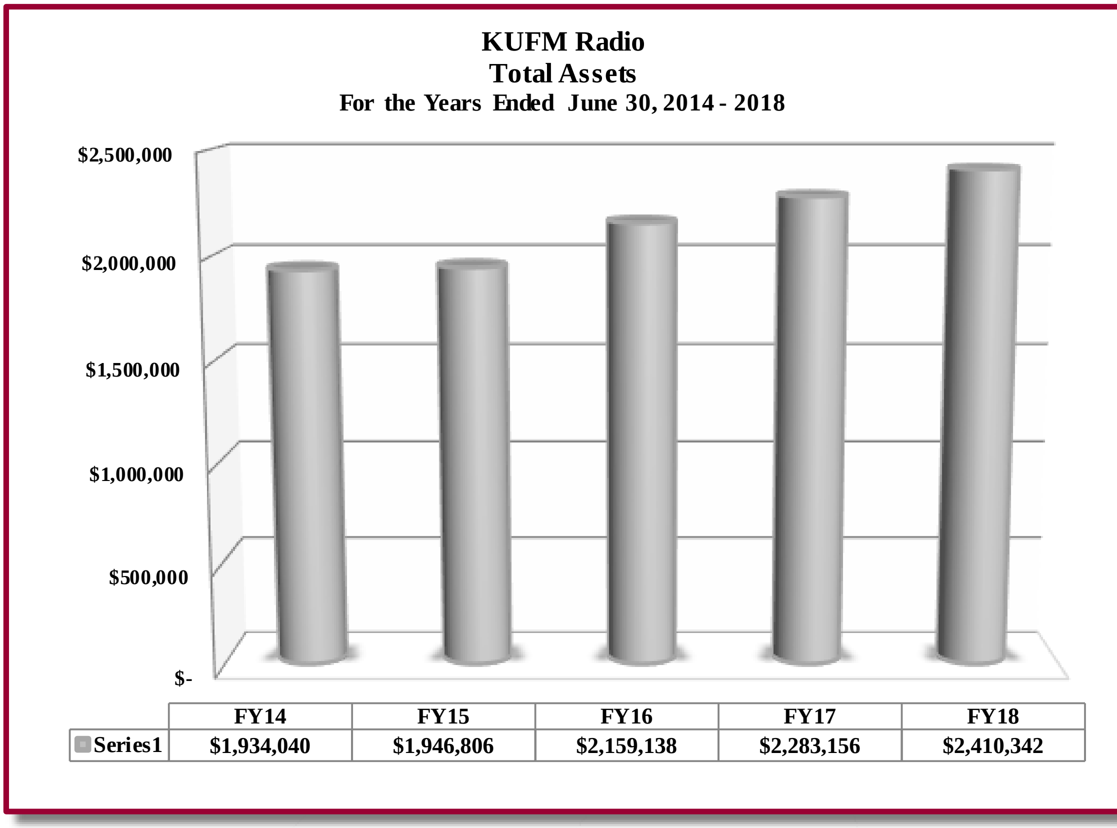
The financial statements are prepared using the accrual basis of accounting, whereas revenues are recognized when services are provided and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

FINANCIAL HIGHLIGHTS AND ANALYSIS

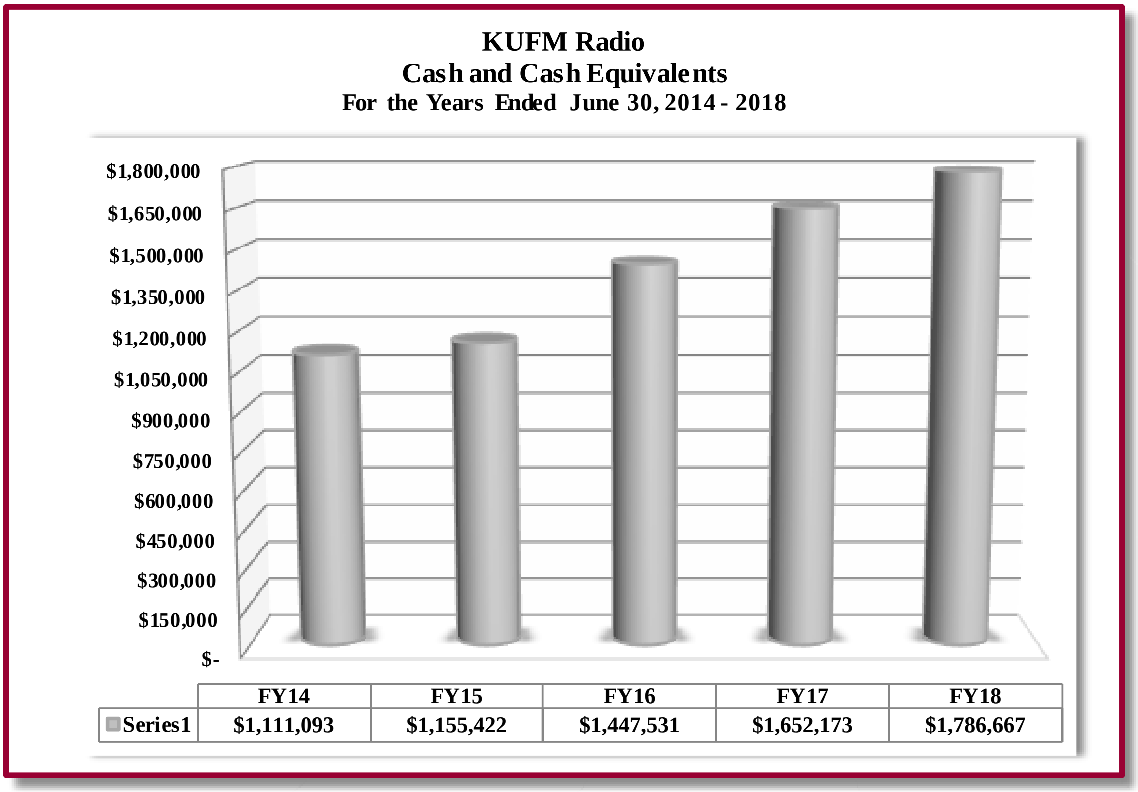
In FY18, total revenues from all sources decreased by $110,890, or by about 4.0%, most notably from a decrease in grant revenue of $142,249 from the Corporation for Public Broadcasting that was recognized during the year, and a decrease in other revenue of $41,024. The decreases in these revenues was offset by an increase in private gifts of $56,569, or by about 3.2%, and state support of $21,687, or by 3.3%. KUFM's total operating expenses increased slightly in FY18, by $33,656, which was due primarily to a total increase in functional expenses of $69,552. This increase was offset by a decrease in depreciation expense of $35,896 in FY18, or by 40.6%. Overall, net position decreased by $246,588 in FY18, or by 32.7%.

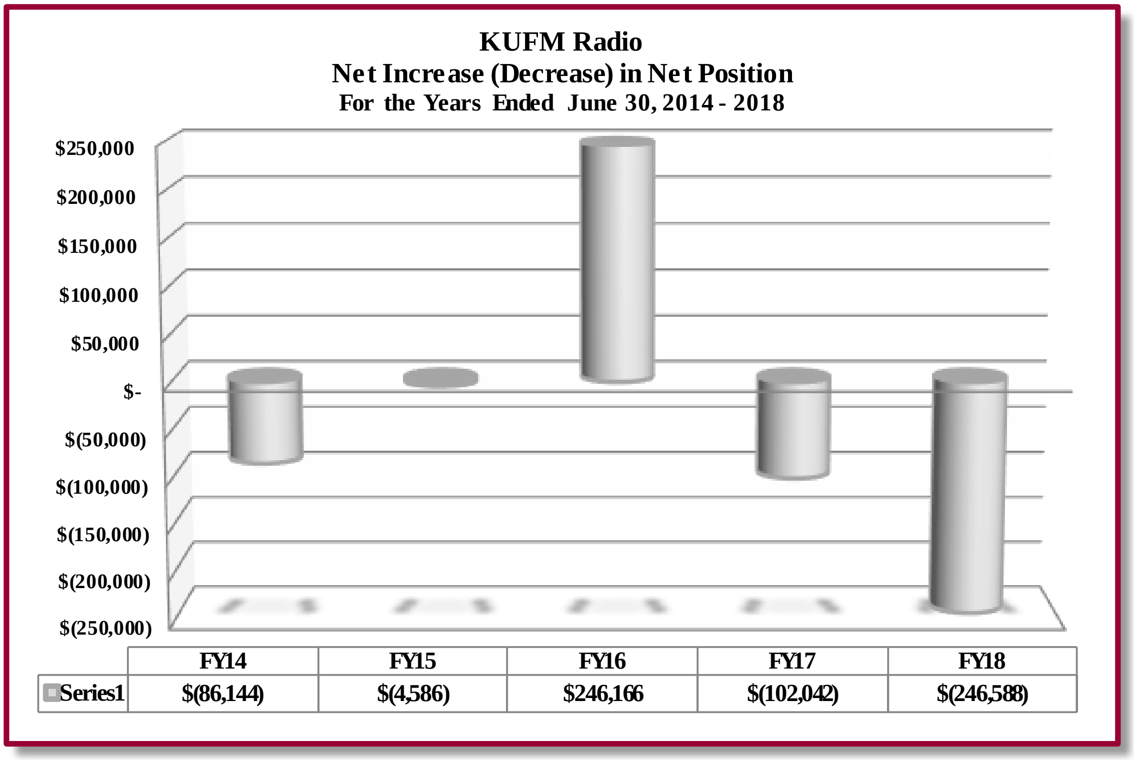
FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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



FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)





FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Statement of Net Position

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

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

	2018	2017	2016
ASSETS			
Total current assets	$ 1,942,578	$ 1,782,233	$ 1,576,634
Total non-current assets	467,764	500,923	582,504
Total Assets	2,410,342	2,283,156	2,159,138
DEFERRED OUTFLOWS OF RESOURCES	297,428	175,874	47,140
	$ 2,707,770	$ 2,459,030	$ 2,206,278
LIABILITIES			
Total current liabilities	$ 467,804	$ 289,088	$ 317,247
Total non-current liabilities	1,573,317	1,502,307	1,094,540
Total liabilities	2,041,121	1,791,395	1,411,787
DEFERRED INFLOWS OF RESOURCES	65,370	15,028	39,842
NET POSITION			
Net invested in capital assets	307,638	341,319	429,659
Restricted	187,789	180,767	167,572
Unrestricted	105,852	130,521	157,418
Total net position	601,279	652,607	754,649
	$ 2,707,770	$ 2,459,030	$ 2,206,278

Events or developments which occurred during 2018

- In FY18, current assets increased by $160,345, or by less than 9.0%, due primarily to an increase in cash and cash equivalents of $134,494, and by increases in accounts receivable and prepaid expenses of $15,428 and $10,423, respectively.

- Noncurrent assets decreased by about $33,000 due primarily to a $33,681 decline in capital assets from the increase in accumulated depreciation of $52,443, offset by an $18,762 purchase and installation of a new transmitter.

- The increase in deferred outflows of resources of $121,554 is from KUFM's proportionate share of the multi-employer pension plan and other postemployment benefit plan (OPEB) deferred outflows from the implementation of the provisions of GASB Statement No. 75.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Current liabilities increased by $178,716 due primarily to an increase in property held in trust of $38,206 for the Great Falls Public Radio Association-KGPR and by an increase in unearned revenue of $143,315. KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust. Also in FY18, accounts payable decreased by $6,653 and accrued compensated absences increased by $4,028.

- Deferred inflows of resources increased by $50,532 in FY18 due primarily to changes in KUFM's proportionate share of the defined benefit retirement plan deferred inflows of resources, which increased by $44,439. KUFM also recorded OPEB deferred inflows of resources of $5,403, from the implementation of the provisions of GASB Statement No. 75, which accounts for the remaining increase in deferred inflows of resources.

- Noncurrent liabilities increased by $71,010 in FY18 due largely to an increase in and KUFM's proportionate share of the multi-employer pension plan net pension liability of $$257,909, which was offset by a $191,739 decrease in the OPEB liability. Accrued compensated absences increased by $5,240.

- The net position of KUFM decreased by $51,328 in FY18 due largely to a net decrease in net position of $246,588, which was offset by an increase in beginning of year net position of $195,000, from the implementation of the provisions of GASB No. 75.

Events or developments which occurred during 2017

- In FY17, current assets increased by $205,599, due primarily to an increase in cash and cash equivalents of $204,642 and an increase in prepaid expenses of $16,790 which was offset by a $15,833 decline in Accounts Receivable. The increase in cash and cash equivalents reflects an increase in donor support from fundraising activities.

- The increase in deferred outflows of resources of $128,734 is from KUFM's proportionate share of the multi-employer pension plan's deferred outflows.

- Noncurrent assets decreased by over $81,000 due to a $88,340 decline in capital assets from the increase in accumulated depreciation offset by an increase of $6,759 in the fair value of endowment investments.

- Current liabilities decreased by over $28,000 due to a decrease in property held in trust of $62,396 for the Great Falls Public Radio Association-KGPR. KUFM solicits funds for Great Falls Public Radio Association – KGPR and records donations received on their behalf in property held in trust. This decrease was offset in FY17 by an increase in accounts payable of $6,039, and increases of $13,824 and $14,374 for deferred revenue and accrued compensated absences respectively.

- The decrease in deferred inflows of resources of $24,814 is from a reduction in KUFM's proportionate share of the multi-employer pension plan's deferred inflows.

- Noncurrent liabilities increased by $407,767 in FY17 due to increases in the liability for other postemployment benefits (OPEB) and KUFM's proportionate share of the multi-employer pension plan's net pension liability of $22,350 and $362,998, respectively. Accrued compensated absences increased $22,419.

- The net position of KUFM decreased by over $102,000 in FY17 due largely to a decrease in revenues and an increase in operating expenses.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

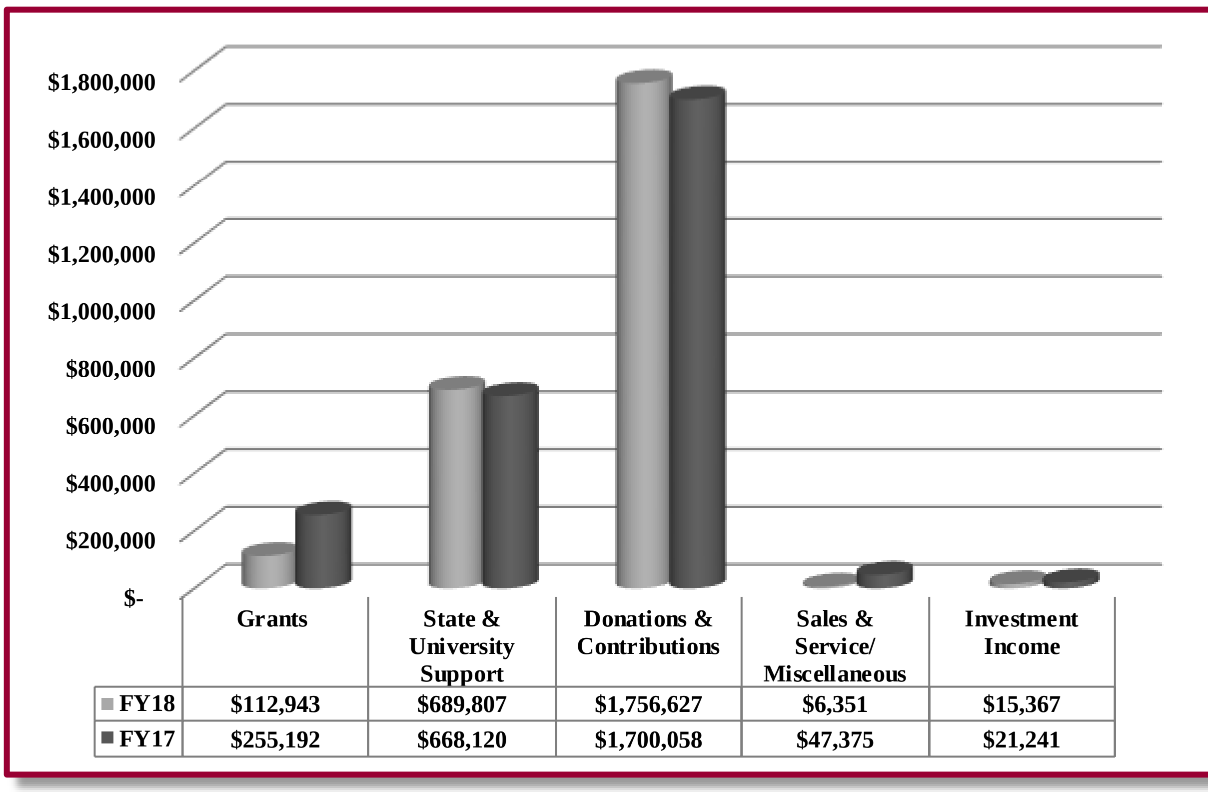
Statement of Revenues, Expenses and Changes in Net Position

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

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

	2018	2017	2016
Operating revenue	$ 809,101	$ 970,686	$ 1,052,717
Operating expenses	2,827,683	2,794,027	2,360,208
Operating loss	(2,018,582)	(1,823,341)	(1,307,491)
Non-operating revenues	1,771,994	1,721,299	1,553,657
Change in net position	(246,588)	(102,042)	246,166
Net position, beginning of year, as previously stated	652,607	754,649	508,483
Restatement, beginning of year, OPEB	195,260	-	-
Net position, end of year	$ 601,279	$ 652,607	$ 754,649

The following chart provides a graphical representation of revenues by source for fiscal years 2017 and 2016:



FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

<u>Events or developments which occurred during 2018</u>

- Operating revenues decreased by $161,585 in FY18 largely from a $142,249 decrease in grant revenue from the Corporation for Public Broadcasting that was recognized during the year, and a decrease in other revenue of $41,024. This decrease was offset in part by an increase in state appropriation of $30,458. Nonoperating revenues rose slightly in FY18 by about 3.0%, or by $50,695, due primarily to an increase in private gifts and in-kind donations $56,595. Operating costs saw a small increase of $33,656, or by about 1.0%, in FY18 primarily from an increase in functional expenses of $69,552, which was offset by a decrease in depreciation expense of $$35,896.

  Pension expense of $257,509, which represents over 9.0% of total operating expenses, increase by $48,060 in FY18, or by 23.0%.

<u>Events or developments which occurred during 2017</u>

- Operating revenues decreased by $82,031 in FY17 largely from decreases in state appropriations of $46,559, grants from the CPB of $27,287, and other revenues of $15,669. Nonoperating revenues rose more significantly with an increase of over $145,000 due to an increase in private gifts and in-kind donations. Operating costs were up significantly in FY17, primarily from increases in program services of $251,886 and fundraising of $137,564. Management costs rose by $15,826 along with an increase in depreciation expense of $28,543.

  The increase in operating costs can be attributed primarily to an increase in salaries and wages of $104,107 due to the University of Montana's FY17 pay plan and increase in pension expense of $209,449.

Statement of Cash Flows

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

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

	2018	2017	2016
CASH PROVIDED BY (USED IN)			
Operating activities	$ (1,592,281)	$ (1,505,028)	$ (1,261,715)
Noncapital financing activities	1,730,693	1,695,188	1,547,064
Investing activities	14,844	14,482	14,660
Capital and related financing activities	(18,762)	-	(7,900)
Net change in cash and cash equivalents	134,494	204,642	292,109
Cash and cash equivalents – beginning of year	1,652,173	1,447,531	1,155,422
Cash and cash equivalents – end of year	$ 1,786,667	$ 1,652,173	$ 1,447,531

<u>Events or developments which occurred during 2018</u>

Specific events or cash transactions that had a significant influence on the increase in cash (a net cash inflow) of approximately $135,000 during fiscal year 2018 were:

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Net Cash used in operating activities in FY18 increased by $87,253 compared to FY17, primarily from a decrease of $66,295 in cash provided from operating activities by grants from the Corporation for Public Broadcasting and from other revenues, and an increase in cash used for operating expenses of $44,342, which was offset in part by an increase in cash provided by state appropriations of $30,458.

- Cash provided by noncapital and capital financing activities increased by $35,505 as a result of increased private gifts.

- Cash provided by investing activities of over $14,844 is primarily from endowment investment earnings and was comparable to FY17.

- Cash used in FY18 for capital and related financing activities of $18,762, was used by KUFM for the purchase and installation of a new transmitter.

Events or developments which occurred during 2017

Specific events or cash transactions that had a significant influence on the increase in cash (a net cash inflow) of approximately $204,642 during fiscal year 2017 were:

- Cash used in operating activities in FY17 were comparable to cash used for operating activities in FY16.

- Cash provided by noncapital and capital financing activities increased by more than $148,000 as a result of increased private gifts.

- Cash provided by investing activities of over $14,000 is primarily from endowment investment earnings.

- Cash was not used in FY17 for capital and related financing activities for debt service payments on a loan obligation which ended in FY16. KUFM did not use cash to acquire capital assets in FY17.

ECONOMIC OUTLOOK

- Corporation for Public Broadcasting (CPB) funding from Congress will again be level through FY 2021. Congress approved and the President signed legislation providing full funding of $445 million for CPB in FY 2021, $20 million in FY 2019 for an annual interconnection and infrastructure account and $27.2 million in FY 2019 for the Ready to Learn program that supports public television's essential work in early childhood education. The CPB allocation has remained at the same level since FY 2013. With inflation, the continued level funding will mean less support for stations. In FY 2018, CPB funds made up 10% of the total Montana Public Radio (MTPR) revenue. CPB may be asking for increases for FY 2022.

- Due to enrollment issues, the University of Montana completed a prioritization review of academic and administrative programs and offerings. Questions marks remain about funding from the University's state appropriation moving forward given the falling enrollment. About 15% of MTPR funding comes from the University appropriation.

- For the past several years, institutional support from the University of Montana has decreased and continues to impact MTPR's operational and personnel budgets. The base-budget cuts are not likely to be restored and further cuts may be possible. MTPR continues to look at ways to reduce program and personnel costs. Some personnel lines were moved from the institutional support budget to gift funds to make up for the cuts. There is a real possibility of additional cuts coming as the University continues to look at ways to downsize.

ECONOMIC OUTLOOK (continued)

- The University of Montana made buyout and severance offers to several MTPR staff at the end of the 2017 calendar year. The Broadcast Media Center (home to MTPR and MontanaPBS) chief engineer took the buyout. After negotiations with the University, the personnel line has been continued and a new engineer will be hired in FY19.

- MTPR membership revenue has remained relatively flat for the past two years. Corporate support continues to be increasing. Overall, MTPR revenue has been able to cover direct costs but has not been able to save contingency revenue for future funding challenges.

- MTPR is midway through implementation of a plan to replace six aged transmitters over three summers concluding in 2019. The plan also includes changing the current satellite-based program delivery system to one fed by terrestrial microwave. Funding for this project has come from listener donations as well as potential grant support from local and regional foundations. The biggest benefit to the project is cost saving and dependability. Delivery via microwave costs less and is more reliable.

WIPFLi LLP

INDEPENDENT AUDITOR'S REPORT

University of Montana
Missoula, Montana

We have audited the accompanying financial statements of KUFM-FM Radio (a public telecommunications entity operated by the University of Montana), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise KUFM-FM Radio's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. 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 above present fairly, in all material respects, the financial position of KUFM-FM Radio, as of June 30, 2018 and 2017, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

WIPFLi LLP

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that management's discussion and analysis and the required supplemental information on pages 1-9 and pages 35-36 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wipfli LLP

Missoula, Montana
February 12, 2019

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA

STATEMENTS OF NET POSITION

June 30

ASSETS AND DEFERRED OUTFLOWS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,786,667**	$ 1,652,173
Accounts receivable, net	**122,941**	107,513
Prepaid expenses	**32,970**	22,547
Total current assets	**1,942,578**	1,782,233
NONCURRENT ASSETS		
Endowment investments	**160,126**	159,604
Capital assets, net	**307,638**	341,319
Total noncurrent assets	**467,764**	500,923
Total assets	**2,410,342**	2,283,156
DEFERRED OUTFLOWS OF RESOURCES - pension related	**297,428**	175,874
	$ 2,707,770	$ 2,459,030

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts payable	**$ 135**	$ 6,788
Property held in trust for others	**172,157**	133,951
Unearned revenue	**212,585**	69,450
Accrued compensated absences	**82,927**	78,899
Total current liabilities	**467,804**	289,088
NONCURRENT LIABILITIES		
Net OPEB liability-health benefits	**126,361**	318,100
Net pension liability	**1,339,114**	1,081,605
Accrued compensated absences	**107,842**	102,602
Total noncurrent liabilities	**1,573,317**	1,502,307
Total liabilities	**2,041,121**	1,791,395
DEFERRED INFLOWS OF RESOURCES - pension related	**65,370**	15,028
NET POSITION		
Invested in capital assets, net of related debt	**307,638**	341,319
Restricted for nonexpendable	**187,789**	180,767
Unrestricted	**105,852**	130,521
Total net position	**601,279**	652,607
	$ 2,707,770	$ 2,459,030

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

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

for the years ended June 30

	2018	2017
OPERATING REVENUES		
State appropriations	**$ 408,415**	$ 377,957
Federal grants and contracts	**9,687**	6,070
Grants from CPB	**103,256**	247,241
Non-governmental grants and contracts	**-**	1,880
Indirect cost recoveries	**281,392**	290,163
Other revenue	**6,351**	47,375
Total operating revenues	**809,101**	970,686
OPERATING EXPENSES		
Program services	**1,950,507**	1,921,999
Management and general	**476,055**	450,731
Fundraising	**348,678**	332,958
Depreciation expense	**52,443**	88,339
Total operating expenses	**2,827,683**	2,794,027
OPERATING LOSS	**(2,018,582)**	(1,823,341)
NONOPERATING REVENUES		
Private gifts	**1,756,627**	1,700,058
Investment income	**15,367**	21,241
Net nonoperating revenues	**1,771,994**	1,721,299
CHANGE IN NET POSITION	**(246,588)**	(102,042)
NET POSITION - Beginning of year as previously stated	**652,607**	754,649
RESTATEMENT - Beginning of year - OPEB	**195,260**	-
NET POSITION - Beginning of year as restated	**847,867**	754,649
NET POSITION - End of year	**$ 601,279**	**$ 652,607**

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

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA

STATEMENTS OF CASH FLOWS

for the years ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
State appropriations	**$ 408,415**	$ 377,957
Federal grants and contracts	**9,687**	6,070
Grants from CPB	**239,498**	264,769
Nongovernmental grants & contracts	**-**	1,880
Indirect cost recoveries	**281,392**	290,163
Other revenue	**6,351**	47,375
Operating expenses	**(2,537,624)**	(2,493,242)
Net cash used in operating activities	**(1,592,281)**	(1,505,028)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts	**1,730,693**	1,695,188
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to endowments	**(8,333)**	(6,759)
Earnings received on investments	**23,177**	21,241
Net cash received from investing activities	**14,844**	14,482
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	**(18,762)**	-
Net cash used by capital and related financing activities	**(18,762)**	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	**134,494**	204,642
CASH AND CASH EQUIVALENTS - Beginning of year	**1,652,173**	1,447,531
CASH AND CASH EQUIVALENTS - End of year	**$ 1,786,667**	$ 1,652,173
CASH FLOWS USED IN OPERATING ACTIVITIES		
Operating loss	**$ (2,018,582)**	$ (1,823,341)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	**52,443**	88,340
In-kind contributions	**17,400**	17,000
Decrease (increase) in accounts receivable	**(15,428)**	1,370
Decrease (increase) in investments	**8,533**	-
Decrease (increase) in prepaid expenses	**(10,423)**	(16,790)
Increase (decrease) in accounts payable	**(6,653)**	6,039
Increase (decrease) in property held in trust for others	**38,206**	(62,396)
Increase in net OPEB liability-health benefits	**8,562**	22,350
Increase (decrease) in net pension liability	**181,258**	209,449
Increase (decrease) in unearned revenue	**143,135**	16,158
Increase in compensated absences	**9,268**	36,793
Net cash flows used in operating activities	**$ (1,592,281)**	$ (1,505,028)

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity. The accounting records for KUFM are maintained on a centralized Statewide Accounting, Budgeting and Human Resource System. The accompanying financial statements have been extracted from University funds and other financial information for presentation as a separate entity. The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

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

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

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

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

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

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

New Accounting Standards

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans, to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement is effective for fiscal years beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. Additional note disclosure and required supplementary information about the OPEB liability are also required by the Statement. The July 1, 2017, balance of the OPEB liability and related deferred outflows of resources and deferred inflows of resources is reported in the Consolidated Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the 2018 net position, beginning of the year. The Montana University System Group Insurance Plan (MUSGIP) was not able to provide sufficient information to restate the June 30, 2017, financial statements. The effect of the changes from the implementation of GASB 75 was to increase the University's previously stated beginning net position of $244,669,442, by $36,074,593.

Cash and Cash Equivalents. For purposes of the statements of cash flows, cash balances maintained in pooled funds with other University funds are considered cash equivalents. The universities allocate cash balances to KUFM from their funds invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments. The universities consider STIP funds to be cash equivalents.

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

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

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

In-Kind Contributions. Administrative support from the University of Montana consists of allocated institution and physical plant costs incurred by the University on behalf of KUFM. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. In 2018 and 2017, KUFM received $9,300 and $8,900, respectively, of in-kind professional services. They also received $8,100 of in-kind services and lease accommodation in both 2018 and 2017.

Continued

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Tax-Exempt Status. Since KUFM is a component of the University of Montana (a political subdivision of the State of Montana); it is exempt from federal income taxes under Internal Revenue Code Section 115. However, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511(a)(2)(B). The Unrelated Business Income Tax (UBIT) amount was $0 for the years ended June 30, 2018 and 2017. The Station believes income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse affect on the financial statements or cash flows. Accordingly, no reserves or related accruals for interest or penalties for uncertain income tax positions have been recorded as of June 30, 2018 or 2017. The Station's income tax positions are subject to examination for the preceding three tax years. Any interest or penalties that may be assessed in the future will be recorded as management and general expenses.

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

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

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

Capital Assets. All acquisitions and improvements ranging from $5,000 for equipment to $500,000 for infrastructure, and with estimated useful lives of more than one year are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets ranging from 4 to 40 years.

Continued

NOTE B CASH AND CASH EQUIVALENTS

Cash balances are maintained in pooled funds with other University funds. The University allocates interest earnings based on the amounts KUFM has invested in the Short Term Investment Pool (STIP) with the Montana Board of Investments (BOI). Amounts held in STIP may be withdrawn by the university system on demand, and as such are classified as cash equivalents, even though a portion of the pool's underlying investments may be considered noncurrent. Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive, 3rd Floor, Helena, Montana 59620.

Investments in the pool are reported at a Net Asset Value (NAV). The fair value of pooled investments is determined annually and is based on year-end market prices. The NAV at June 30, 2018 is $1.000072. Investments in STIP are carried at cost, but reported using the NAV. STIP income is automatically reinvested in additional units. The STIP is not rated by a national rating agency.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Because most of the Station's cash equivalents and certain investments are held in the State of Montana STIP, the state's policies regarding custodial risk are relevant. The security in STIP is held in the name of the BOI or were registered in the nominee name for the BOI and held in possession of the BOI custodial bank. Per policy, the BOI's custodial institution must hold short-term and long-term credit rating by at least one Nationally Recognized Statistical Rating Organization with a minimum requirement of A1/P1 (short term) and A3/A-1 (long term).

Continued

NOTE C CAPITAL ASSETS

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

2018	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, antenna & tower	**$ 661,455**	**$ 18,762**	**$ (156,410)**	**$ -**	**$ 523,807**
Studio & broadcast equipment	**522,751**	**-**	**-**	**-**	**522,751**
Furniture, fixtures, and other equipment	**210,446**	**-**	**-**	**-**	**210,446**
Total capital assets	**1,394,652**	**18,762**	**(156,410)**	**-**	**1,257,004**
Less accumulated depreciation for:					
Transmission, antenna & tower	**717,150**	**28,986**	**(156,410)**	**-**	**589,726**
Studio & broadcast equipment	**293,898**	**22,790**	**-**	**-**	**316,688**
Furniture, fixtures and other equipment	**42,285**	**667**	**-**	**-**	**42,952**
Total accumulated depreciation	**1,053,333**	**52,443**	**(156,410)**	**-**	**949,366**
Capital assets, net	**$ 341,319**	**$ (33,681)**	**$ -**	**$ -**	**$ 307,638**

2017	Beginning Balance	Additions	Deletions	Transfers and Other Changes	Ending Balance
Transmission, antenna & tower	$ 865,365	$ -	$ (203,910)	$ -	$ 661,455
Studio & broadcast equipment	522,751	-	-	-	522,751
Furniture, fixtures, and other equipment	235,412	-	(24,966)	-	210,446
Total capital assets	1,623,528	-	(228,876)	-	1,394,652
Less accumulated depreciation for:					
Transmission, antenna & tower	877,713	43,347	(203,910)	-	717,150
Studio & broadcast equipment	255,233	38,665	-	-	293,898
Furniture, fixtures and other equipment	60,923	6,328	(24,966)	-	42,285
Total accumulated depreciation	1,193,869	88,340	(228,876)	-	1,053,333
Capital assets, net	$ 429,659	$ (88,340)	$ -	$ -	$ 341,319

Continued

NOTE D EMPLOYEE BENEFIT PLANS

Plan Description

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

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Eligibility for Benefit

- Hired prior to July 1, 2011:
  - Age 60, 5 years of membership service;
  - Age 65, regardless of membership service; or
  - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
  - Age 65, 5 years of membership service;
  - Age 70, regardless of membership service.

Early retirement (reduced benefit)

- Hired prior to July 1, 2011:
  - Age 50, 5 years of membership service; or
  - Any age, 25 years of membership service.
- Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service)

- Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
  - A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
  - No service credit for second employment;
  - Start the same benefit amount the month following termination; and
  - Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
  - A recalculated retirement benefit based on provisions in effect after the initial retirement; and
  - GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
  - The same retirement as prior to the return to service;

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

- A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

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

Compensation cap

- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

Monthly benefit formula

- Members hired prior to July 1, 2011:
  - Less than 25 years of membership service: 1.785% of HAC per year of service credit;
  - 25 years of membership service or more: 2% of HAC per year of service credit.
- Members hired on or after July 1, 2011:
  - Less than 10 years of membership service: 1.5% of HAC per year of service credit;
  - 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
  - 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, **inclusive** of other adjustments to the member's benefit.
  - 3% for members hired **prior to** July 1, 2007
  - 1.5% for members hired **on or after** July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013: 1.5% for each year PERS is funded at or above 90%; 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

State law for periodic employer and employee contributions specifies rates and are a percentage of employee compensation. The State legislature has the authority to establish and amend contribution rates to the plan. Employer and employee contribution rates for 2018 were 8.57% and 7.90%, respectively and for 2017 were 8.47% and 7.90%, respectively.

 Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

- Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
- Employer contributions to the system:
  - Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS- DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
  - Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
  - The Plan Choice Rate (PCR), that directed a portion of employer contributions for DCRP members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts
- Non employer contributions of a portion of Coal Severance Tax interest and earnings by the State to PERS from the Coal Tax Severance fund is not considered special funding.

Actuarial Assumptions

- The Total Pension Liability (TPL) used to calculate the Net Pension Liability (NPL) was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017 valuation, were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 20. Among those assumptions were the following:

- Investment Return (net of admin expense)	7.65%
- Admin Expense as % of Payroll	0.27%
- General Wage Growth*	4.00%
- *includes Inflation at	3.00%
- Merit Increases	0% to 6.00%

NOTE D EMPLOYEE BENEFIT PLANS, continued

- Guaranteed Annual Benefit Adjustment (GABA) - after the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, **inclusive** of other all adjustments to the member's benefit.
  - 3.0% for members hired **prior to** July 1, 2007
  - 1.5% for members hired between July 1, 2007 and June 30, 2013
  - Members hired on or after July 1, 2013:
    (a) 1.5% for each year PERS is funded at or above 90%;
    (b) 1.5% reduced by 0.1% for each 2.0% PERS is funded below 90%; and
    (c) 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant MortalityTables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvements were assumed.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Codes Annotated. In addition, the State contributes coal severance tax money from the general fund quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability**.** No municipal bond rate was incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

Best estimates of arithmetic real rates of return for each major asset class included in the PERS-DBRP target asset allocation as of June 30, 2017, is summarized in the table below:

Asset Class	Target Asset Allocation (a)	Real Rate of Return– Arithmetic Basis (b)	Long-Term Expected Real Rate of Return (a) x (b)
Cash Equivalents	2.6%	4.00%	0.10%
Domestic Equity	36.0%	4.55%	1.64%
Foreign Equity	18.0%	6.35%	1.14%
Fixed Income	23.4%	1.00%	0.23%
Private Equity	12.0%	7.75%	0.93%
Real Estate	8.0%	4.00%	0.32%
	100.0%		4.36%
Inflation			2.75%
Portfolio Return Expectation			7.12%

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis
The following presents the University's proportionate share of the PERS-DBRP net pension liability at June 30, 2018, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
KUFM's proportionate share of the net pension liability	$1,943,153	$1,339,114	$818,793

Net Pension Liability
At June 30, 2018 and 2017, the KUFM recorded $1,339,114 and $1,081,605, respectively, for its proportionate share of the net pension liability. At June 30, 2018 the net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2016. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS-DBRP during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS-DBRP participating employers. At June 30, 2018 and 2017, the employer's proportionate share was 3.97%. and 4.17%, respectively.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

There were no changes in actuarial assumptions and methods, plan benefit terms and the University's share of the net pension liability, between the measurement date of the total pension liability and June 30, 2017.

Changes in Actuarial Assumptions and Methods

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms

- Effective July 1, 2017, the following benefit changes were:
- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

For the years ended June 30, 2018 and 2017, the KUFM recognized pension expense of $254,482 and $280,227, respectively. The University also receives funding that is not special funding whereby the State general fund provides contributions from the Coal Severance Tax Fund. For the years ended June 30, 2018 and 2017, the KUFM recognized $14,937 and $14,857, respectively, for its proportionate share from this funding source.

Deferred Outflows and Deferred Inflows- At June 30, 2018 and 2017, KUFM's proportionate share of PERS-DBRP deferred outflows of resources and deferred inflows of resources were from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	39,624	$ 2,729	$ 6,708	$ 4,967
Difference between projected and actual earnings on pension plan investments	(27,725)	9,710	116,953	282
Changes in proportion differences between employer contributions and proportionate share of contributions	227,291	47,528	(1,461)	9,779
Contributions paid to PERS-DBRP subsequent to the measurement date.	57,874	-	53,674	-
Total	$ 297,064	$ 59,967	$ 175,874	$ 15,028

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

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

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2019	$4,927
2020	$57,825
2021	$36,335
2022	NA
2023	NA
Thereafter	NA

Defined Contribution Retirement Plan

Montana University System - Retirement Program (MUS-RP) was established in January of 1998, and is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF). The MUS-RP is a defined contribution plan. Contribution rates for the plan are required and determined by state law. KUFM’s contributions were equal to the required contribution. The benefits at retirement depend upon the amount of contributions, amounts of investment gains and losses and the employee's life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA-CREF. The University records employee/employer contributions and remits monies to TIAA-CREF. Individuals vest immediately in the employer portion of retirement contributions.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

For the years ended June 30, 2018 and 2017, 4.72% was contributed to TRS from MUS-RP faculty employer contributions to amortize past service unfunded liability in accordance with state law. In addition, 3.68% was contributed to PERS from MUS-RP staff employer contributions to amortize past service unfunded liability in accordance with state law.

Annual reports that include financial statements and required supplemental information on the plan are available from TIAA-CREF at 730 Third Avenue in New York, New York.

Other Post-Employment Benefits – Health Insurance

KUFM adopted the provisions of GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, during fiscal year 2008. The primary type of other post-employment benefit (OPEB) addressed by GASB 45 is postemployment health benefits. OPEB's have generally been accounted for on a pay-as-you-go basis and financial statements have often not recognized their financial effects until the benefits are paid. The standard requires that the cost of postemployment healthcare benefits be accounted for under the accrual basis of accounting, similar to the accounting requirements under GASB 27 for government sponsored pension plans, where the cost of benefits to employees are recognized in periods when the related services are received by the employer.

Plan Description- KUFM is affiliated with the Montana University System Group Insurance Plan (MUSGIP), an agent multiple-employer health care plan administered by the Office of Commissioner of Higher Education. In accordance with section 2-18-702 of the Montana Codes Annotated, the MUSGIP provides optional postemployment health care benefits to eligible University employees who receive a retirement benefit from the Teachers Retirement System, Public Employees Retirement System, or an annuity under the Optional Retirement Plan and have been employed by the Montana University System (MUS) at least five years, are age 50 or have worked 25 years with the MUS. Spouses, unmarried dependent children, and surviving spouses are also eligible. Premiums rates established by the Inter-Unit Benefits Committee are approved by the Commissioner of Higher Education. Retiree monthly premium rates range from $1,006 to $2,244 for medical coverage and decrease when a retiree becomes Medicare eligible. Medicare enrolled retiree premium rates range from $394 to $1,514. Retirees can also elect optional dental and vision coverage. The MUSGIP does not issue a stand-alone financial report but is reported as an enterprise fund in the State of Montana Comprehensive Annual Financial Report (CAFR) which can be viewed online at http://accounting.mt.gov/cafr/cafr.asp.

During the year ended June 30, 2018, the University adopted GASB statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, also referred to as Other Postemployment Benefits (OPEB). The total OPEB liability (TOL) measured under GASB Statement No. 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year amortization period and a current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Following is the total of the University's OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and the OPEB expense as reported in accordance with GASB Statement No. 75, for the fiscal year ended June 30, 2018:

		2018
Net OPEB Liability	$	1,339,114
Deferred OPEB Outflows of Resources	$	364
Deferred OPEB Inflows of Resources	$	5,403
OPEB expense	$	14,853

At March 31, 2018, the University's OPEB plan deferred outflows and inflows of resources were from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes in actuarial assumptions or other inputs		
Differences between actual and expected contributions		
Transactions subsequent to the measurement date	$ 364	$ 5,403

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

Information presented in these financial statements for the year ended June 30, 2017, follows the requirements of GASB Statement No. 45, as information as not available to restate earlier year financial information. As of and for the year ended June 30, 2017, the plan was considered to be a multi-employer agent plan. All units of the MUS funded the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post-employment benefit (OPEB) cost (expense) was calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represented an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The most recent actuarial determination using the GASB Statement No. 45 methodology was based on plan information as of July 1, 2015.

Prior to adoption of GASB Statement No. 75, the University's OPEB obligations were computed as follows for 2017:

Year ended June 30,	2017
Annual required contribution	$ 30,202
Interest on net OPEB obligation	15,508
Amortization of net OPEB obligation	(12,163)
Annual OPEB cost	33,547
Contributions made	(11,197)
Increase to net OPEB obligation	22,350
Net OPEB obligation - beginning of year	295,750
Net OPEB obligation - end of year	$ 318,100

The information from above is based on allocation, using management's best estimate, to apply the following information as it pertains to KUFM.

Required supplemental information immediately following the notes to the financial statements presents a schedule of funding status and the actuarial assumptions used for the actuarial valuations completed in fiscal years 2017 and 2018.

Actuarial Methods and Assumptions
The actuarial funding method used to determine the cost of the MUSGIP was the projected unit credit funding method. This method's objective is to fund each participant's benefits under the plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service.

NOTE D EMPLOYEE BENEFIT PLANS, continued

Information as of the latest actuarial valuation for the MUS OPEB plan follows:

	Retiree/ Surviving Spouse	Spouse
Contributions:		
Before Medicare eligibility	$11,264	$4,728
After Medicare eligibility	$4,806	$3,620
Actuarial valuation date	December 31, 2017	
Actuarial measurement date (1)	March 31, 2018	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Remaining amortization period	20 year period	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.89% (3/31/2018 20-year municipal bond index)	
Projected payroll increases	4%	
Participation:		
Future retirees	55	
Future eligible spouses	60	
Marital status at retirement	70	

Mortality - Health

For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled

For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Continued

NOTE D EMPLOYEE BENEFIT PLANS, continued

Changes in Actuarial Assumptions and Methods Since Last Measurement Date
Changes in actuarial methods include the adjustment of the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rates are based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP were taken into account; changes in revised rates based on actual data and projected trend and projected healthcare trend rates were updated to follow the Getzen model.

Changes in Benefit Terms since Last Measurement Date
Changes were implemented to ensure the financial health of the plan, while still providing a rich selection of benefits:
- Increased participant deductible,
- Increased out-of-pocket limits for medical and prescription drug coverage
- Increased visit copays,
- Pharmacy benefits were transitioned from URx to Navitus as of July 1, 2017,
- Employer group waiver program for Medicare retirees became effective July 1, 2017

NOTE E RELATED PARTY TRANSACTIONS

KUFM Radio receives non-monetary contributions from the University of Montana in the form of administrative support and use of the facility. During 2018 and 2017, these contributions totaled $281,392 and $290,163, which is equivalent to the amount of indirect institutional expense and indirect plant expense incurred during 2018 and 2017, respectively.

NOTE F COMMITMENTS

Under the terms of an agreement with the Great Falls Public Radio Association (GFPRA), KUFM is obligated to pay GFPRA either a lump sum amount or monthly payments, as requested by GFPRA. Such amounts are limited to total annual donor collections from the GFPRA reception area. During 2018 and 2017, no such payments were made. GFPRA receives substantially all of its programming from KUFM and KUFM has the exclusive right to solicit and collect contributions in the GFPRA reception area. The current agreement is in effect through July 11, 2017, with either party having the ability to terminate the agreement at any time upon 60 days written notice. As of June 30, 2018 and 2017, KUFM held undistributed donor amounts of $172,157 and $133,951, respectively.

NOTE G SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2018. This analysis has been performed through February 12, 2019 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

KUFM-FM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
UNIVERSITY OF MONTANA
REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)
June 30, 2018 and 2017

Public Employees Retirement System

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

For the Fiscal Year Ended June 30,		2018		2017
KUFM's proportion of the net pension liability		0.06%		0.06%
KUFM's proportionate share of the net pension liability	$	1,339,114	$	1,081,605
KUFM's covered-employee payroll	$	648,693	$	577,747
Employer's Proportionate share of the net pension liability as a percentage of its covered-employee payroll		206%		187%
Plan fiduciary net position as a percentage of the total pension liability		75%		75%

Schedule of KUFM's Contributions

For the Fiscal Year Ended June 30,		2018		2017
Contractually required contributions	$	56,858	$	50,249
Contributions in relation to the contractually required contributions	$	56,858		50,249
Contribution deficiency/(excess)	$	-	$	-
Covered-employee payroll	$	648,693	$	577,747
Contributions as a percentage of covered-employee payroll		9%		9%

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

Notes to Required Supplementary Information – For the Year Ended June 30, 2018 and 2017

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates were determined on an annual basis for the fiscal year beginning July 1, 2014, with update procedures performed to roll forward required contributions to the measurement date of June 30, 2015.

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

- Actuarial cost method — Entry age normal
- Amortization method — Level percentage of pay, open
- Remaining amortization period — 30 years
- Asset valuation method — 4-year smoothed market
- General wage growth — 4.00%
- Inflation — 3.00%
- Merit salary increases — 0.0 - 6.0%
- Investment rate of return — 7.75%, net of pension plan investment expense, and including inflation

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Schedule of the University's Proportionate Share of the total OPEB Liability

Measurement Year	University's Proportion of the OPEB Liability	University's Share of the OPEB Liability	University's Covered Employee Payroll	University's share of the OPEB Liability as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total OPEB Liability
2018	48.92%	$18,130,942	$225,842,121	8.03%	0.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Changes to the plan that affect trends will be reported as they occur in the future.