MontanaPBS
A Public Television Entity Operated By The Montana University System

Financial Statements and Supplementary Information

Years Ended June 30, 2018 and 2017

MONTANA PBS

WIPFLi LLP
CPAs and Consultants

INTRODUCTION

The management's discussion and analysis (MD&A) introduces the basic financial statements and provides an overview of MontanaPBS's (referred to also as the "Station's") financial position and activities for the fiscal years ended June 30, 2018 and 2017. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. Because the stations are component units of the Montana University System (a State agency), they are required to report under these GASB guidelines.

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 footnotes following this section.

MontanaPBS is a partnership of two non-commercial television stations licensed to the Montana University System which include KUSM-TV Bozeman, (operated by Montana State University), and KUFM-TV Missoula (operated by the University of Montana). The Station provides public television services through the acquisition, production and delivery of high-quality television to residents of Montana. A related fundraising entity, Friends of MontanaPBS, Inc. ("Friends"), is a not-for-profit Montana corporation that provides financial support, promotes positive community relations and provides certain administrative services to MontanaPBS. Readers may also wish to refer to the separately issued financial statements of Friends for further information.

USING THE FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the basic financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Cash Flows; and the 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, wherein revenues are recognized when services are provided, and expenses are recognized when goods or services are received, regardless of when cash is exchanged.

The discussion and analysis which follows provides a comparative overview of MontanaPBS' financial position and operating results for the fiscal years ended June 30, 2018, 2017, and 2016 and should be read in conjunction with the fiscal year 2018 financial statements and supplemental notes.

FINANCIAL HIGHLIGHTS AND ANALYSIS

As compared with June 30, 2017, the Station saw its overall financial position improve by $185,301 in FY18, primarily from a $405,212 reduction in liability associated with post-employment healthcare benefits. This was offset by operating expenses which exceeded revenues and contributions by $219,911.

In FY17, the Station saw its overall financial position decline by $528,179, primarily from a $1,121,075 increase in its operating expenses, which was offset in part by increases in non-operating revenues of $619,159 from increases in contributions from Friends $222,191, grants from the Corporation for Public Broadcasting $187,912, federal grants $104,064 and from support provided by the Montana University System $178,954. KUSM TV used the remaining amount of $184,528 on the debt agreement (Intercap loan) that was approved for up to $300,000 in FY16, to replace outdated equipment.

The Statement of Net Position reflects the financial position of MontanaPBS as of the end of the fiscal year. 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.

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

	2018	2017	2016
ASSETS			
Total current assets	$ 1,870,537	$ 1,885,113	$ 1,774,238
Capital assets, net	2,054,841	2,111,195	2,160,246
Total other non-current assets	16,077	3,370	16,300
Total Assets	3,941,455	3,999,678	3,950,784
DEFERRED OUTFLOWS	388,349	193,621	135,861
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 4,329,804	$ 4,193,299	$ 4,086,645
Total current liabilities	$975,559	$803,997	$ 650,086
Total non-current liabilities	1,889,536	2,144,251	1,607,612
Total Liabilities	2,865,095	2,948,248	2,257,698
DEFERRED INFLOWS	44,567	10,210	65,927
NET POSITION			
Invested in capital assets, net of related debt	1,797,527	1,799,712	2,020,367
Unrestricted	(377,385)	(564,871)	(257,347)
Total Net Position	1,420,142	1,234,841	1,763,020
Total Liabilities and Net Position	$ 4,329,804	$ 4,193,299	$ 4,086,645

Events or developments which occurred during 2018 include:

- Current assets decreased by $14,576, due to a decrease in cash and cash equivalents of $64,830, increases in grants and accounts receivable of $67,142, and a decrease in prepaid expenses of $16,888.
- Net capital assets decreased by $56,354 in FY18. Changes included $387,873 in additions, of which $141,742 was to complete studio camera HD upgrades and provide a graphics generating system. Depreciation expense of $434,248 was recorded, and the value of disposed assets was $9,949.
- Total liabilities decreased by $83,153 in FY18, primarily due to a decrease in long-term debt and

OPEB obligation for health benefits. The net pension liability calculated in accordance with GASB 68, *Accounting and Financial Reporting for Pensions* increased by $241,656 over the prior year. See Note 6 to the financial statements for more information on pensions. Postemployment benefits (OPEB) liability obligation calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* decreased by $396,350 in FY18.

- The increase in pension deferred outflows of resources of $194,728 and the increase in pension deferred inflows of resources of $34,357 in FY18, was due to changes in the actuarial valuation at plans measurement dates.

- Net position increased by $185,301 in FY18, due largely to a $187,486 decrease in unrestricted net position**.**

Events or developments which occurred during 2017 include:

- Current assets increased by $110,875, due to an increase in cash and cash equivalents of $27,414, increases in grants and accounts receivable of $48,346, and an increase in prepaid expenses of $35,115.

- Overall, capital assets declined by $49,051 in FY17. Changes to capital assets included additions of $413,383, to replace $764,751 of outdated equipment used for station operations that was disposed of during the year. Accumulated depreciation declined by $302,317 due to disposals of equipment in the amount of $727,199, that were offset by an increase in accumulated depreciation of $424,882 from recognizing depreciation and amortization expense.

- Total liabilities increased by $690,550 in FY17, primarily due to an increase in long-term debt, unearned revenue, as well as increases in net pension liability and OPEB obligation for health benefits. The Station issued $184,528 in long-term debt (Intercap loan) to acquire equipment used in Station operations. The net pension liability calculated in accordance with GASB 68, *Accounting and Financial Reporting for Pensions* increased by $340,372 over the prior year. See Note 6 to the financial statements for more information on pensions. Postemployment benefits (OPEB) liability obligation calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* increased by $37,225 in FY17.

- The increase in pension deferred outflows of resources of $57,760 and the decrease in pension deferred inflows of resources of $55,717 in FY18, was due to changes in the actuarial valuation at plans the measurement dates.

- Net position decreased by $528,179 in FY17, due largely to a $220,655 decrease in investment in capital assets, net of related debt, and a decrease in unrestricted net position of $307,524**.** The Station issued long-term debt of $184,528 to purchase equipment, accounting for most of the decrease in net investment in capital assets.

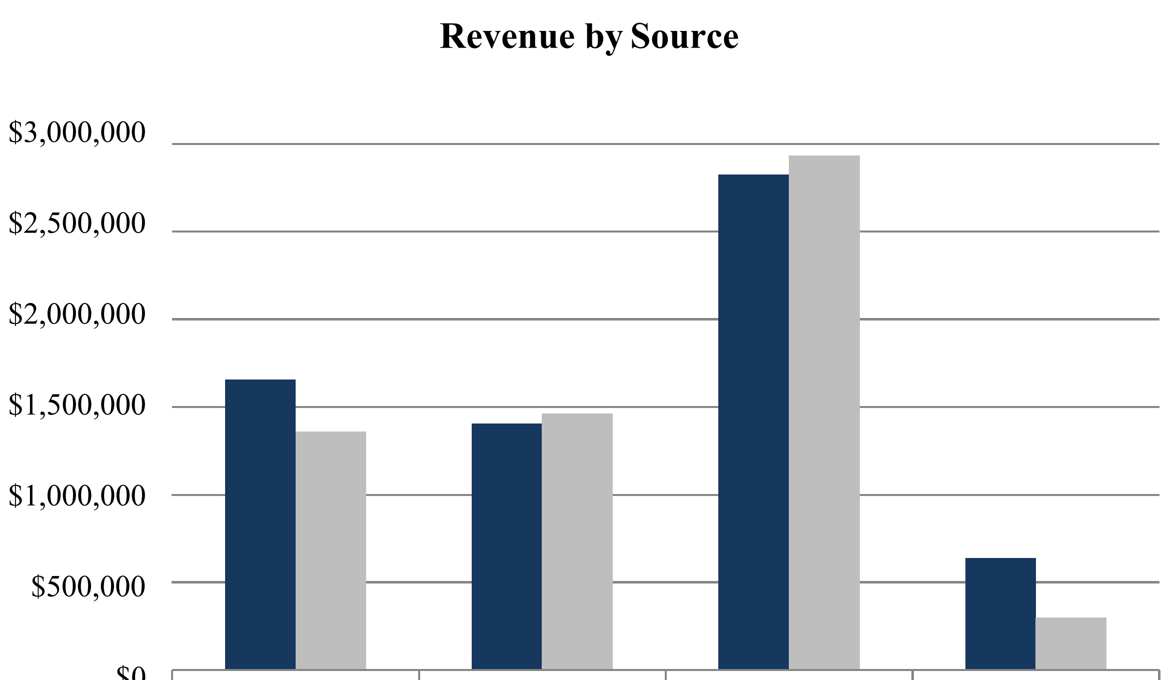
Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year on a full accrual basis. 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 television services). Non- operating revenues are revenues earned for which goods or services are not provided and include grants from CPB, support from the Montana University System, grant and contract revenue, and contributions from Friends. Other revenues and expenses include capital grants and gifts, and investment earnings.

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

	2018	2017	2016
Operating revenue	$520,243	$ 260,660	$ 222,882
Operating expenses	6,668,377	6,631,575	5,510,500
Operating loss	(6,148,134)	(6,370,915)	(5,287,618)
Non-operating revenues	5,923,081	5,839,246	5,218,356
Capital contributions and other items	5,142	3,490	5,622
Net increase (decrease) in net position	(219,911)	(528,179)	(63,640)
Net position, beginning of year, as previously reported	1,234,841	1,763,020	1,826,660
Net position, beginning of year, OPEB Restatement	405,212	-	-
Net position, end of year	$ 1,420,142	$ 1,234,841	$ 1,763,020

The following chart provides a graphical representation of revenues by source for fiscal years 2018 and 2017:



	Grants	University Support	Donations & Contributions	Sales, Service, & Miscellaneous
FY18	$1,622,503	$1,424,959	$2,822,006	$579,629
FY17	$1,407,940	$1,461,693	$2,937,817	$296,627

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

- Operating revenues increased in FY18 by $259,583, or by 49%, due largely to a $230,809 increase in contract production revenue. Sales and services revenue also increased in the amount of $27,230. Contract Production revenues increased due to the addition of the MPAN television channel (formerly TVMT) and the production services provided to the Montana State University Athletics Program. The addition was offset in part by a $136,696 decrease in Production Underwriting due to Phase One of the Charles M. Russell project ending in FY17.

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- Operating expenses increased slightly by $36,802 in FY18, due primarily to an increase in staffing costs for development and fundraising.

- Non-operating revenue increased by $83,835 in FY18, slightly more than a 1% change. Notable changes in non-operating revenues in FY18, included increases in grants from the Corporation for Public Broadcasting of $49,003, federal grants and contracts of $111,926, and nongovernmental grants and contracts of $67,990, which were offset by decreases in state and local grants and contracts of $9,893 and production underwriting of $136,696.

- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

Events or developments which occurred during 2017 include:

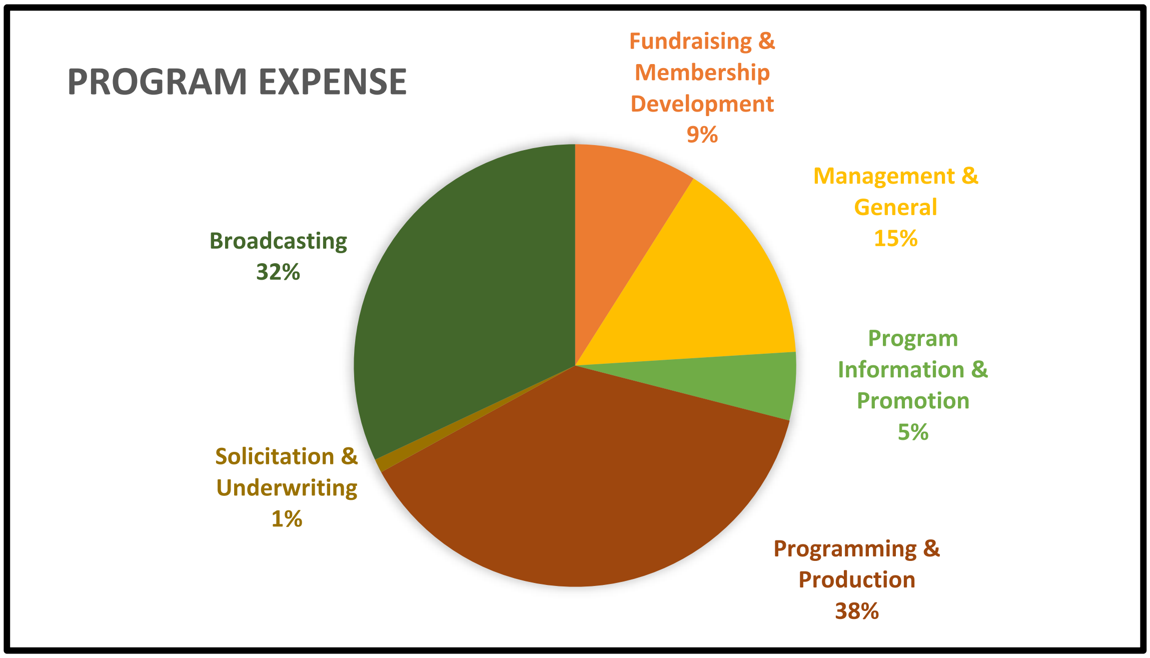
- Operating revenues increased in FY17 by $37,778, or by 17%, due largely to a $31,275 increase in contract production revenue. Sales and services revenue also increased in the amount of $4,994.

- Operating expenses increased significantly by $1,121,075 in FY17, or 20%. Increases in operating expenses include broadcasting $177,434, programming and production $335,522, program information and promotion $177,001, management and general expenses $307,291, fundraising and membership development $106,673, and solicitation and underwriting of $17,154.

- Non-operating revenue also increased in total by $619,159 in FY17, or 12%. Contributions from Friends used for operations increased by almost 17% in FY17, or by $222,191. Other notable changes in non-operating revenues in FY17, included increases in grants from the Corporation for Public Broadcasting of $187,912, federal grants and contracts of $104,064, and nongovernmental grants and contracts of $91,580, which were offset by decreases in program underwriting $7,396, state and local grants and contracts $76,251, other contributions $63,782, and program and production underwriting $13,431.

- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

The following chart provides a graphical representation of each program expense as a percentage of total operating expenses for fiscal year 2018:



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the Station's financial results by reporting the major sources and uses of cash. This statement aids in assessing the Stations' 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	$(4,420,764)	$(4,569,169)	$(3,912,045)
Noncapital financing activities	4,792,804	4,834,871	4,199,732
Capital and related financing activities	(442,643)	(242,459)	(195,750)
Investing activities	5,773	4,171	6,088
Net change in cash and cash equivalents	(64,830)	27,414	98,025
Cash and cash equivalents – beginning of year	1,695,649	1,668,235	1,570,210
Cash and cash equivalents – end of year	$ 1,630,819	$ 1,695,649	$ 1,668,235

Events or developments which occurred during 2018 include:

- Cash used in operating activities totaled $4,420,764, which was lower by $152,001, compared to the prior year. The operating loss on an accrual basis of $6,148,134 is adjusted for noncash operating activities including: depreciation expense of $434,248 and indirect university support of $1,090,679.

- In FY18, cash provided from noncapital financing activities, which totaled $4,792,804, was primarily from contributions from Friends of MontanaPBS of $1,436,211, state appropriations of $1,424,959, and grants and contracts of $1,638,381. The total amount of cash provided from noncapital financing activities decreased by $42,067 in FY18 due to decreases in contributions from Friends of $90,853, production underwriting of $23,809, state appropriations of $36,735 offset by increases in grants and contracts $62,608 and other contributions $46,722.

- Cash flows from capital and related financing activities used $442,643 in FY18. Cash was used to purchase $141,742 of capital assets and funded $246,101 of construction in progress during the year.

Events or developments which occurred during 2017 include:

- Cash used in operating activities totaled $4,572,765, which was higher by $660,720, compared to the prior year. The operating loss on an accrual basis of $6,370,915 is adjusted for noncash operating activities including: depreciation expense of $424,882 and indirect university support of $1,063,966.

- In FY17, cash provided from noncapital financing activities, which totaled $4,836,736, was primarily from contributions from Friends of MontanaPBS of $1,527,587, state appropriations of $1,461,694, and grants and contracts of $1,575,773. The total amount of cash provided from noncapital financing activities increased by $637,004 in FY17 due to increases in grants and contracts $318,954, production underwriting $35,619, other receipts $29,634, contributions from Friends $226,808, and state appropriations $25,989.

- Cash flows from capital and related financing activities amounted to a decrease in funds of $242,459 in FY17. Proceeds of $191,628 from the issuance of long-term debt, along with cash from other sources, were used to purchase $413,383 of capital assets during the year. Net cash used in capital and related financing activities increased by $46,709 compared to FY16.

ECONOMIC OUTLOOK

- Overall, MontanaPBS' current financial position is positive, and management remains optimistic that the organization is positioned for continued growth, improved service, and financial stability.

- Station management remains focused on strengthening philanthropic giving and maintaining sustainable operating budgets. Membership revenue continues to increase at a rate higher than the average public television station. However, management expects new membership activity to grow more slowly over the next three-year period as service-area expansion stabilizes. New growth will have to come from utilizing better practices not an expanded audience.

- Station management continues to monitor performance in all areas of development, including an upcoming major giving initiative. Staff reorganization has resulted in more resources being applied to major and planned giving, which has already shown results and has great promise. Development services, including direct mail, continue to show good results and increased revenues.

- The slowly recovering economy has resulted in a better non-profit climate overall, which is contributing to station development growth. If this trend continues, management expects that maintaining current growth rates over the next few years should be possible.

- An increase in National PBS membership and programming dues in FY 2019 will be offset by an increase in the CPB Community Service Grant. Additional increases in personnel costs due to state/university salary adjustments and increases in healthcare benefits costs are presenting new draws on station budgets.

- The financial health of the stations is directly affected by the overall health of their university licensees. The University of Montana continues to grapple with enrollment related budget challenges. Montana State University is in its third year of a strategic budget reallocation process, resulting in base and one-time-only cuts for the Bozeman station. Cuts in both university budgets have affected operating support for the station and have the potential for additional negative impacts.

- Station management remains concerned about infrastructure replacement and growth. The stations are taking a multifaceted approach to infrastructure projects, developing philanthropic funding sources, incorporating infrastructure costs into production and operating budgets, and utilizing the State of Montana Board of Investments Intercap loan program to amortize project costs over time.

- The FCC auction of broadcast spectrum is complete. As expected, the stations did not realize any financial gains from the auction. Costs for transitioning KUKL-TV to a new, lower channel are slated for reimbursement by the FCC using federal spectrum auction proceeds. Additionally, PBS' agreement with T-Mobile has made replacement funds available for the transition of several station-owned translators to new, lower channels. Overall, the budget uncertainty of the FCC broadcast spectrum auction and its potential negative impact on the station has passed.

- High profile local programming such as *The Bozeman Trail* and *Barns of Montana* are expected to provide positive fundraising tools for the upcoming year. The contract to operate the rebranded legislative channel, MPAN (Montana Public Affairs Network), formerly known as TVMT, will position MontanaPBS as an even more vital service to the state as well as providing stable operating revenues.

- Changes in management and staff adjustments at KUSM should not affect any financial plans or continued growth for the station. The addition of a new development director and a full-time position in membership will bring new ideas and the continuation of new initiatives for the development team.

WIPFLi LLP

Independent Auditor's Report

Management
MontanaPBS
A Public Television Entity
Operated by the Montana University System
Bozeman, Montana

Report on the Financial Statements
We have audited the accompanying financial statements of MontanaPBS A Public Television Entity Operated by Montana University System (the "Station"), which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 did not audit the financial statements of Friends of MontanaPBS, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Friends of MontanaPBS, Inc. is based on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of MontanaPBS A Public Television Entity Operated by Montana University System as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States require that the management's discussion and analysis, schedule of funding status for other post retirement benefits for health insurance, schedule of MontanaPBS's proportionate share of the net pension liability, and the schedule of MontanaPBS's contribution to TRS and PERS 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 57-62 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

January 11, 2019
Missoula, Montana

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
STATEMENTS OF NET POSITION
June 30

ASSETS AND DEFERRED OUTFLOWS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,630,819**	$ 1,695,649
Accounts receivable	**85,590**	58,079
Grants receivable	**77,215**	37,584
Prepaid expenses	**76,913**	93,801
Total current assets	**1,870,537**	1,885,113
CAPITAL ASSETS, Net of accumulated depreciation - Note 3	**2,054,841**	2,111,195
NONCURRENT ASSETS		
Prepaid expenses	**16,077**	3,370
Total noncurrent assets	**16,077**	3,370
Total assets	**3,941,455**	3,999,678
DEFERRED OUTFLOWS OF RESOURCES - pension and OPEB related	**388,349**	193,621
	$ 4,329,804	$ 4,193,299

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 106,389**	$ 29,793
Unearned revenue	**572,691**	499,346
Current portion, compensated absences	**219,158**	220,687
Current portion, long-term debt	**73,987**	50,678
Current portion, capital lease obligations	**3,334**	3,493
Total current liabilities	**975,559**	803,997
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	**105,533**	128,235
Long-term debt, net of current portion	**176,342**	250,327
Capital lease, net of current portion	**3,651**	6,985
Net pension liability	**1,417,962**	1,176,306
Net OPEB obligation - health benefits	**186,048**	582,398
Total noncurrent liabilities	**1,889,536**	2,144,251
Total liabilities	**2,865,095**	2,948,248
DEFERRED INFLOWS OF RESOURCES - pension and OPEB related	**44,567**	10,210
NET POSITION		
Invested in capital assets, net of related debt	**1,797,527**	1,799,712
Unrestricted	**(377,385)**	(564,871)
Total net position	**1,420,142**	1,234,841
	$ 4,329,804	$ 4,193,299

See accompanying notes to financial statements

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENTS OF FINANCIAL POSITION
June 30

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	**$ 511,567**	$ 222,599
Investments - restricted	**1,054,632**	1,112,423
Prepaid expense	**3,441**	4,827
Premium inventory	**18,611**	9,331
TOTAL ASSETS	**$ 1,588,251**	$ 1,349,180
CURRENT LIABILITIES		
Accounts payable	**$ -**	$ 5,769
Due to affiliate	**39,483**	11,115
Total current liabilities	**39,483**	16,884
NET ASSETS		
Unrestricted	**1,276,867**	1,072,381
Temporarily restricted	**271,901**	259,915
Total net assets	**1,548,768**	1,332,296
TOTAL LIABILITIES AND NET ASSETS	**$ 1,588,251**	$ 1,349,180

See accompanying notes to financial statements

MontanaPBS

A PUBLIC TELEVISION ENTITY OPERATED BY

THE MONTANA UNIVERSITY SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

for the years ended June 30

	2018	2017
OPERATING REVENUES		
Sales and services	**$ 67,949**	$ 40,719
Contract production	**395,075**	164,266
Broadband lease	**57,219**	55,675
Total operating revenues	**520,243**	260,660
OPERATING EXPENSES		
Broadcasting	**2,130,183**	2,139,543
Programming and production	**2,556,298**	2,499,013
Program information and promotion	**349,915**	349,053
Management and general	**1,036,985**	1,027,551
Fundraising and membership development	**626,557**	570,151
Solicitation and underwriting	**10,774**	46,264
Total operating expenses	**6,710,712**	6,631,575
OPERATING LOSS	**(6,190,469)**	(6,370,915)
NONOPERATING REVENUES		
Grants from CPB	**1,292,834**	1,226,404
Grants from state agencies	**52,145**	56,608
Federal grants and contracts	**256,150**	104,064
State and local grants and contracts	**2,101**	10,641
Nongovernmental grants and contracts	**-**	10,223
Support from the Montana University System		
Appropriations for operations	**1,424,959**	1,461,693
Donated and indirect	**1,090,679**	1,063,966
Contributions from Friends used for operations	**1,460,106**	1,520,040
In-kind contributions	**58,256**	32,017
PBS royalties	**5,814**	6,573
Production underwriting	**193,495**	243,331
Program underwriting	**57,807**	57,409
Other contributions	**48,523**	21,054
Other revenue	**30,732**	25,223
Total nonoperating revenues	**5,973,601**	5,839,246
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Loss on sale of assets	**(8,185)**	-
Interest Expense	**(631)**	(681)
Investment income, net	**5,773**	4,171
Total other revenues, expenses, gains and losses	**(3,043)**	3,490
CHANGE IN NET POSITION	**(219,911)**	(528,179)
NET POSITION - Beginning of year as previously stated	**1,234,841**	1,763,020
RESTATEMENT - Beginning of year - OPEB	**405,212**	-
NET POSITION - Beginning of year as restated	**1,640,053**	1,763,020
NET POSITION - End of year	**$ 1,420,142**	$ 1,234,841

See accompanying notes to financial statements

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENT OF ACTIVITIES
for the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Donations - unrestricted	$ 1,233,540	$ -	$ 1,233,540
Donations - restricted	-	164,517	164,517
Membership dues	818,975	-	818,975
Interest and dividend income	18,323	-	18,323
Realized loss on investments	(1,072)	-	(1,072)
Unrealized gain on investments	31,930	-	31,930
Satisfaction of program requirements	152,531	(152,531)	-
Total support	2,254,227	11,986	2,266,213
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	1,160,623	-	1,160,623
KUFM Television per contract	290,156	-	290,156
KUSM Television programming support	65,586	-	65,586
KUFM Television programming support	18,450	-	18,450
KUSM equipment	10,000	-	10,000
KUSM advisory services	4,607	-	4,607
Total payments to affiliates	1,549,422	-	1,549,422
Other program services:			
Program guide costs	62,323	-	62,323
Total program services	62,323	-	62,323
Fundraising:			
Credit card and bank fees	41,000	-	41,000
Pledge drive premiums and support	111,774	-	111,774
Postage and direct mail preparation	160,549	-	160,549
Promotion and promotional premiums	58,397		58,397
Special events	1,514	-	1,514
Total fundraising	373,234	-	373,234
Management and administrative:			
Accounting and bookkeeping services	21,556	-	21,556
Contracted services	10,657	-	10,657
Insurance	1,880	-	1,880
Miscellaneous	7,914	-	7,914
Travel and conferences	22,755	-	22,755
Total management and administration	64,762	-	64,762
Total expenses	2,049,741	-	2,049,741
CHANGE IN NET ASSETS	204,486	11,986	216,472
NET ASSETS - Beginning of year	1,072,381	259,915	1,332,296
NET ASSETS - End of year	$ 1,276,867	$ 271,901	$ 1,548,768

See accompanying notes to financial statements

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENT OF ACTIVITIES
for the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Donations - unrestricted	$ 1,053,344	$ -	$ 1,053,344
Donations - restricted	-	350,342	350,342
Membership dues	750,410	-	750,410
Interest and dividend income	19,784	-	19,784
Realized gain on investments	5,293	-	5,293
Unrealized gain on investments	44,421	-	44,421
Satisfaction of program requirements	376,491	(376,491)	-
Total support	2,249,743	(26,149)	2,223,594
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	1,085,036	-	1,085,036
KUFM Television per contract	271,260	-	271,260
KUSM Television programming support	95,254	-	95,254
KUFM Television programming support	61,325	-	61,325
KUSM equipment	102,990	-	102,990
KUSM education services	5,500	-	5,500
Total payments to affiliates	1,621,365	-	1,621,365
Other program services:			
Program guide costs	77,020	-	77,020
Total program services	77,020	-	77,020
Fundraising:			
Credit card and bank fees	34,118	-	34,118
Pledge drive premiums and support	156,059	-	156,059
Postage and direct mail preparation	135,984	-	135,984
Promotion and promotional premiums	12,792		12,792
Total fundraising	338,953	-	338,953
Management and administrative:			
Accounting and bookkeeping services	16,744	-	16,744
Contracted services	85,336	-	85,336
Insurance	1,880	-	1,880
Miscellaneous	2,156	-	2,156
Travel and conferences	14,815	-	14,815
Total management and administration	120,931	-	120,931
Total expenses	2,158,269	-	2,158,269
CHANGE IN NET ASSETS	91,474	(26,149)	65,325
NET ASSETS - Beginning of year	87,338	1,179,633	1,266,971
PRIOR PERIOD RECLASSIFICATION	893,569	(893,569)	-
NET ASSETS - End of year	$ 1,072,381	$ 259,915	$ 1,332,296

See accompanying notes to financial statements

MontanaPBS

A PUBLIC TELEVISION ENTITY OPERATED BY

THE MONTANA UNIVERSITY SYSTEM

STATEMENTS OF CASH FLOWS

for the years ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and services of educational activities	**$ 515,972**	$ 248,213
Compensation and benefits	**(2,814,376)**	(2,636,554)
Other operating expenses	**(2,164,695)**	(2,180,828)
Net cash from operating activities	**(4,463,099)**	(4,569,169)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Friends of MontanaPBS	**1,436,211**	1,527,064
Other contributions	**8,475**	-
Production underwriting	**125,123**	148,932
State appropriations	**1,424,959**	1,461,694
Grants and contracts	**1,638,381**	1,575,773
Other receipts	**201,990**	121,408
Net cash from noncapital financing activities	**4,835,139**	4,834,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	**(141,742)**	(413,383)
Purchases of construction in progress	**(246,101)**	-
Proceeds received from the issuance of debt	**-**	191,628
Principal and interest paid on long-term debt	**(54,800)**	(20,704)
Net cash from capital and related financing activities	**(442,643)**	(242,459)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	**5,773**	4,171
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(64,830)**	27,414
CASH AND CASH EQUIVALENTS - Beginning of year	**1,695,649**	1,668,235
CASH AND CASH EQUIVALENTS - End of year	**$ 1,630,819**	$ 1,695,649
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**$ (6,190,469)**	$ (6,370,915)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	**434,248**	424,882
Non-cash operating expenses paid directly by the University	**1,090,679**	1,063,966
In-kind non-cash operating activities	**58,256**	32,017
Net loss on disposal of fixed assets	**1,772**	37,552
Net pension liability and related deferred inflows and outflows	**(4,417)**	227,618
(Increase) decrease in assets		
Accounts receivable	**(2,503)**	(13,413)
Prepaid expenses	**5,003**	(22,186)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**76,596**	4,817
Compensated absences	**(24,239)**	8,302
Unearned revenue	**(1,768)**	965
Net OPEB obligation - health benefits	**93,743**	37,226
Net cash flows from operating activities	**$ (4,463,099)**	$ (4,569,169)

See accompanying notes to financial statements

FRIENDS OF MontanaPBS, INC.
A COMPONENT UNIT OF MONTANA PBS/KUSM TV/KUFM TV
STATEMENTS OF CASH FLOWS
for the years ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 216,472**	$ 65,325
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investment	**(31,930)**	(44,421)
Realized (gain) loss on investment	**1,072**	(5,293)
(Increase) decrease in:		
Prepaid expense	**1,386**	891
Premium inventory	**(9,280)**	1,102
Increase (decrease) in:		
Accounts payable	**(5,769)**	2,044
Due to affiliate	**28,368**	(9,156)
Cash flows from operating activities	**200,319**	10,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(11,351)**	(65,847)
Net proceeds sale of investments	**100,000**	43,138
Cash flows from investing activities	**88,649**	(22,709)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**288,968**	(12,217)
CASH AND CASH EQUIVALENTS - Beginning of year	**222,599**	234,816
CASH AND CASH EQUIVALENTS - End of year	**$ 511,567**	$ 222,599

See accompanying notes to financial statements

Note 1: Summary of Significant Accounting Policies

Organization

MontanaPBS (the Station) is an affiliation between KUSM TV and KUFM TV. The Station is operated by the Montana University System, which is governed by the Montana Board of Regents. KUSM TV is operated by Montana State University, Bozeman, Montana, and KUFM TV is operated by the University of Montana, Missoula, Montana. Additionally, KBGS TV, Billings, a third full-power station, KUGF TV, Great Falls, a fourth full-power station, KUKL TV, Kalispell, a fifth full-power station, and KUHM TV, Helena, a sixth full-power station are operated centrally from the Bozeman facility. The Stations are separate operational units of the Montana University System, which include the University of Montana (UM) and Montana State University (MSU). As component units of the State of Montana, the two universities are included separately in the financial statements of the State of Montana.

The Station services Montanans by acquiring, producing, and delivering high quality television programming, production and community outreach services. These non-commercial services provide state residents access to educational, informational and entertainment programming produced nationally and locally, and extend the impact of television viewing through community outreach efforts. The Stations rely on grants, university support and public contributions.

During the year ended June 30, 2018, there were no inter-station transactions. If inter-station activity were to occur during the year, transactions between the combined entities would be eliminated from the financial statements.

The Friends of MontanaPBS, Inc. ("Friends"), a not-for-profit Montana corporation, that advises and provides financial support, positive community relations, and related administrative services to MontanaPBS, is included as a discretely presented component unit in the Station's reporting entity because of the significance of its operational and financial relationship with the stations.

The administration of Friends is provided by a Board of Directors consisting of 15 to 24 members. One member of the Board of Directors shall be the General Manager of KUSM and another shall be the General Manager of KUFM. One member shall be the President of Montana State University and one member shall be the President of the University of Montana or a person designated annually by the respective Presidents to serve in his/her behalf.

In accordance with GASB Statement No. 39, the financial statements of Friends of MontanaPBS, Inc. are being presented in this financial report as a component unit, not consolidated with the financial statements of Montana Public TV. As a result, transactions between the two entities are not eliminated. GASB Statement No. 34 requires that transactions between the two entities be recorded as external transactions. As a result, transfers of funds from Friends to Montana Public TV are recorded as an expense on the financial statements of Friends and as revenue on the financial statements for Montana Public TV (see Note 9).

Note 1: Summary of Significant Accounting Policies (Continued)

Organization (Continued)

A copy of the audited financial statements of the component unit can be obtained by writing to Friends of MontanaPBS, Inc. at P. O. Box 10715, Bozeman, MT 59719-0715.

Financial Statement Presentation

The Station's financial statements are presented in accordance with requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* GASB Statement No. 37, *Basic Financial Statements--and Management's Discussion and Analysis-for State and Local Governments: Omnibus--an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Under GASB Statements No. 34, No. 35, No. 37, No. 38 and No. 63, the Station is required to present a statement of net position classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method. The statements require the classification of net position into three components--invested in capital assets, net of related debt; restricted and unrestricted.

Basis of Accounting

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

Use of Estimates

The preparation of the 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.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, cash balances maintained in pooled funds with other University funds are considered cash equivalents. The universities allocate cash balances to MontanaPBS 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 30 days are considered delinquent.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management has concluded that realized losses on balances outstanding at year-end will be immaterial and, accordingly, no allowance for uncollectible accounts is considered necessary.

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.

Compensated Absences

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

Other Post-Employment Benefits

The Stations have adopted Governmental Accounting Standards Board Statement Number 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Stations allow retirees to participate in the Montana University System's self-funded health insurance plan by paying an amount considered by the Stations to cover their full costs (as calculated using the pooled risk of retirees and active employees). An actuarial study determined that this blended rate structure results in an implicit rate subsidy to retirees, who are considered to be a higher-cost pool of participants. The State of Montana and its component units amortize the calculated OPEB liability resulting from this implicit rate subsidy over a period of 30 years. The state has not mandated funding of the liability.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

Deferred Inflows and Deferred Outflows of resources are associated with pensions and other post-employment benefits. In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period[s] and so will not be recognized as an outflow of resources [expense/expenditure] until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents the acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The Station's net position is classified as follows:

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

Restricted net position: The component of net position that reports the constraints placed on the use of net position by either external parties or enabling legislation. As of June 30, 2018, and 2017, the Stations have no restricted net position to report.

Unrestricted position: The difference between the assets and liabilities that is not reported in *Invested in capital assets, net of related debt* and *restricted net position*.

It is the Station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Activities

The stations have classified their revenues as either operating or nonoperating according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including (1) sales and services, (2) contract production revenue, and (3) lease revenues.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, production and program underwriting and federal and state grants that receive no direct benefit from the stations.

Program Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered. Revenue related to subsequent years is reflected as unearned revenues in the accompanying statements of net position.

Grants

Revenue from grants and contracts is recorded as nonoperating revenue and is recognized to the extent of expenses incurred. When cumulative expenses incurred in accordance with the contract and grant provisions are in excess of cumulative receipts, the excess is accrued and reflected as grants receivable with a corresponding credit to revenue, to the extent that total revenue does not exceed the grant award or contract amount. When cumulative receipts are in excess of cumulative expenses, the excess is reflected as unearned revenue. As of June 30, 2018, and 2017, the Stations have recorded unearned revenue related to these grants and contracts in the amount of $494,331 and $445,836, respectively.

Community Service Grants

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

According to the Communications Act, funds may be used at the discretion of the recipients. MontanaPBS uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Note 1: Summary of Significant Accounting Policies (Continued)

Community Service Grants (Continued)

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These provisions generally pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The grants were reported on the accompanying financial statements as unrestricted nonoperating funds.

Donated Facilities, Materials, and Services

Donated facilities from the Montana University System consist of office and studio space together with related occupancy costs and are recorded as revenue and expense at estimated fair rental values in the statements of revenues, expenses, and changes in net position. Administrative support from Montana University System consists of indirect costs incurred by the Universities on behalf of the Stations, determined by establishing cost pools, which are grouped into functional categories such as institutional support, and physical plant support, which are then allocated, based on the Stations' direct costs in accordance with guidelines established by the Corporation for Public Broadcasting (CPB). Donated materials are recorded at their fair value at the time of contribution. Donated personal services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Both the University of Montana and Montana State University pay pension contributions and other employee benefits from a benefit cost pool on behalf of some Station employees. These expenses are allocated to the Stations as direct support.

Functional Allocation of Expenses

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

Income Taxes

As a state institution of higher education, the income of the Stations are exempt from federal and state income taxes however, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511(a)(2)(B). There was no Unrelated Business Income Tax (UBIT) amount for the years ended June 30, 2018, and 2017. The Stations believe that income tax filing positions will be sustained upon examination and do not anticipate any adjustments that would result in a material adverse effect 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.

New Accounting Pronouncements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

Begining July 1, 2017, the Stations adopted the provisions of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These statements established new accounting and financial reporting requirements for governments whose employees are provided with OPEB (postemployment benefits other than pensions), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. These statements required recording of the Station's postretirement health care liability in its entirety, and also changes the methodology used to measure the liability. The result of adoption was to reduce the amount recorded on the balance sheet as a postretirement health care liability beginning with July 1, 2017; as such, the financial statements for the year ended June 30, 2017 remain unchanged. On the Statement of Financial Position dated June 30, 2018, there was a $405,212 beginning of year restatement to Net Position for the adoption of this standard.

Note 2: Cash and Cash Equivalents

Cash balances are maintained in pooled funds with other University funds. The Universities allocate interest earnings based on the amounts MontanaPBS 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 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).

Note 3: Capital Assets

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Studio and broadcast equipment	$ 4,052,625	$ -	$ (51,930)	$ 4,000,695
Production equipment	2,188,288	125,703	(62,995)	2,250,996
Vehicles	75,795	-	-	75,795
Office machines	17,435	-	-	17,435
Transmission, antenna, & tower	4,533,568	16,039	(613,702)	3,935,905
Equipment not placed in service	216,255	246,101	-	462,356
Accumulated depreciation	(8,972,771)	(434,248)	718,678	(8,688,341)
Total	$ 2,111,195	$ (46,405)	$ (9,949)	$ 2,054,841

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Studio and broadcast equipment	$ 4,258,313	$ 270,069	$ (475,757)	$ 4,052,625
Production equipment	2,188,288	-	-	2,188,288
Vehicles	53,199	22,596	-	75,795
Office machines	10,335	7,100	-	17,435
Transmission, antenna, & tower	4,809,727	12,835	(288,994)	4,533,568
Equipment not placed in service	115,472	100,783	-	216,255
Accumulated depreciation	(9,275,088)	(424,882)	727,199	(8,972,771)
Total	$ 2,160,246	$ (11,499)	$ (37,552)	$ 2,111,195

Note 4: Long Term Liabilities

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due in One Year
Compensated absences	$ 348,922	$ -	$ 24,231	$ 324,691	$ 219,158
Long-term debt	301,005	-	50,676	250,329	77,321
Capital leases	10,478	-	3,493	6,985	3,334
Net pension liability	1,176,306	241,656	-	1,417,962	-
Net OPEB - health benefits	582,398	8,862	405,212	186,048	-
Total	$ 2,419,109	$ 250,518	$ 483,612	$ 2,186,015	$ 299,813

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due in One Year
Compensated absences	$ 340,617	$ 8,305	$ -	$ 348,922	$ 220,687
Long-term debt	133,623	184,528	17,146	301,005	50,678
Capital leases	6,256	7,100	2,878	10,478	3,493
Net pension liability	835,934	340,372	-	1,176,306	-
Net OPEB - health benefits	545,173	37,225	-	582,398	-
Total	$ 1,861,603	$ 577,530	$ 20,024	$ 2,419,109	$ 274,858

*Capital Lease*s. During fiscal year 2014 and 2017, KUSM TV entered into capital lease agreements for copiers. Under the term of the lease agreements, KUSM TV has the right to purchase the copiers at the end of their respective 60-month lease terms. Copiers are carried at a cost of $17,435 less accumulated depreciation of $11,270 as of June 30, 2018. Copiers are carried at a cost of $17,435 less accumulated depreciation of $7,783 as of June 30, 2017.

Note 4: Long Term Liabilities (Continued)

The future minimum lease commitments for capital lease obligations consists of the following at June 30, 2018:

Payable during the year ending June 30,		Principal and Interest
2019	$	3,729
2020		1,712
2021		1,712
2022		571
Total payments		7,724
Less amount representing interest		(739)
Principal balance outstanding	$	6,985

Long-term Debt. During fiscal year 2014, KUSM TV entered into a debt agreement (Intercap loan) to purchase a vehicle in the amount of $29,999. The note bears interest at a variable rate subject to change every February until maturity in 2019, currently interest is at 2.5%. The outstanding principal balance at June 30, 2018 and 2017 was in the amount of $6,091 and $12,150, respectively.

During fiscal year 2016, KUSM TV entered into a debt agreement (Intercap loan) to replace outdated equipment (encoder and automation system) used for station operations. KUSM was approved for up to $300,000 and the note bears interest at a variable rate subject to change every February until maturity in 2020. The current interest rate is at 2.5%. As of June 30, 2018, the amount KUSM has drawn on the loan is in the amount of $300,000. The outstanding principal balance at June 30, 2018 and 2017 was in the amount of $244,238 and $288,855, respectively.

Schedule of cash requirements at June 30, 2018 are summarized as follows:

Long-term Debt		Principal		Interest
2019	$	73,987	$	5,075
2020		69,383		3,473
2021		70,905		1,950
2022		36,054		394
Total	$	250,329	$	10,892

Note 5: Operating Leases

<u>LESSEE OPERATING LEASES</u>: MontanaPBS had the following operating leases in effect as of June 30, 2018, and 2017 in which MontanaPBS is considered the lessee:

Satellite Transponder Lease. During the year ended June 30, 2004, Montana State University, on behalf of MontanaPBS, entered into a contract with Public Broadcasting Service for a digital satellite transponder. The lease with monthly payments of $12,965 expired on September 2016. The lease was renewed as of October 2016 with monthly payments of $9,425, and expires on September 2021.

Minimum lease commitments are as follows:

Years Ended June 30,		
2019	$	113,100
2020		113,100
2021		113,100
2022		28,275
Total	$	367,575

Rental Activity, including amortization of prepaid rent, for the years ended June 30, 2018 and 2017 is for the Satellite transponder lease in the amount of $147,419 and $123,720.

<u>LESSOR OPERATING LEASES</u>: MontanaPBS had the following operating leases in effect as of June 30, 2018 and 2017 in which MontanaPBS is considered the lessor:

Education Broadband Lease. During the fiscal year ended June 30, 2008, Montana State University, on behalf of MontanaPBS, entered into a 30-year lease agreement with Digital Bridge Spectrum Corporation to operate two Educational Broadband Services (EBS) in the Bozeman market. In February 2010, KUSM entered into a second agreement to operate one EBS in the Great Falls market. At the beginning of fiscal year 2013, these lease agreements were transferred to SpeedConnect.

The following is a schedule of the future minimum lease payments to be received under these leases are as follows:

Years Ended June 30,		
2019	$	58,809
2020		60,440
2021		62,116
2022		63,843
2023		65,617
Total	$	310,825

Note 6: Pension Plans

Following is the total of the Station's share of balances for material defined benefit plans as of and for the years ended June 30:

	2018		
	TRS	PERS	Total
Net Pension Liability	$ 43,508	$ 1,374,454	$ 1,417,962
Deferred Outflows of Resources	66,398	321,416	387,814
Deferred Inflows of Resources	177	36,474	36,651
Pension Expense (including state share paid on behalf of the Station).	41,385	224,846	266,231

	2017		
	TRS	PERS	Total
Net Pension Liability	$ 55,265	$ 1,121,041	$ 1,176,306
Deferred Outflows of Resources	36,826	156,795	193,621
Deferred Inflows of Resources	465	9,745	10,210
Pension Expense (including state share paid on behalf of the Station).	60,238	305,920	366,158

In accordance with Statement on Governmental Accounting Standard No. 68, Accounting and Financial Reporting for Pensions (Statement 68), employers are required to recognize and report certain amounts associated with their participation in retirement plans. Statement 68 became effective June 30, 2015 and includes requirements to record and report the Station's proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the Station has a special funding situation in which the State of Montana is legally responsible for making contributions directly to TRS and PERS that are used to provide pension benefits to the retired members of each of the plans. Due to the existence of a special funding situation, the Station is also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability (NPL) that is associated with the Station.

The Stations' employees are covered under the Montana Public Employees Retirement System (PERS), the Montana Teachers' Retirement System (TRS) or the Montana University System Retirement Program (MUS-RP). The PERS and TRS plans are defined benefit, multiple-employer, and cost sharing plans. Only faculty and staff with contracts under the authority of the Board of Regents may elect either the TRS or the MUS-RP.

Pension Plans (Continued)

The amounts contributed to the plans during the year ended June 30, 2018 were equal to the required contributions for the year:

	Defined Benefit		Defined Contribution
	PERS	TRS	MUS-RP
KUSM TV	$ 42,045	$ 37,779	$ 52,644
KUFM TV	$ 30,063	$ -	$ -

TRS

TRS Plan Description- TRS is a multiple-employer cost-sharing defined-benefit public pension plan that provides retirement services to individuals employed as teachers, administrators, and in other professional and skilled positions employed in public education in Montana. The TRS Board is the governing body, and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

TRS Eligibility for Participation- Membership in TRS is compulsory for all K-12 public educators, except for persons teaching fewer than thirty days in each fiscal year. A University system faculty member who is already an active, inactive or retired member of TRS, if hired into a position that was previously covered by TRS, may have a choice to remain in TRS or transfer to the Montana University System Retirement Program (MUS-RP). University system employees not already members of TRS, or that are members of TRS but are hired into a position that was not previously covered by TRS, will become members of the MUS-RP.

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

Pension Plans (Continued)

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

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

A guaranteed annual benefit adjustment (GABA) is payable on January 1st of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1st. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

The Station's net pension liability related to TRS was as follows for the years ended June 30:

	2018	2017	Percent of Collective NPL at June 30, 2018	Percent of Collective NPL at June 30, 2017	Increase (Decrease) in Percent of Collective NPL
Station's Proportionate Share	$ 43,508	$ 55,265	- %	- %	- %
State of Montana Proportionate Share associated with MontanaPBS	32,101	20,698	-	-	-
Total	$ 75,609	$ 75,963	- %	- %	- %

The NPL 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 July 1, 2017. The Station's proportion of the net pension liability was based on the Station's contributions received by TRS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of TRS' participating employers.

Pension Plans (Continued)

TRS Changes between the measurement date and reporting date - There were no changes between the measurement date of the collective net pension liability and the Station's reporting date that are expected to have a significant effect on the Station's proportionate share of the collective NPL.

The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date.

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.
- Each employer may have unique circumstances that impact its proportionate share of the collective net pension liability. The Station has not been made aware of any unique circumstances expected to significiantly affect its net pension liability.
- There have been no changes in benefit terms since the previous measurement date.

TRS Pension Expense

The Station's pension expense related to TRS was as follows for the years ended June 30,

	2018	2017
Station expense	$ 38,927	$ 58,638
State of Montana Proportionate Share associated with MontanaPBS	2,458	1,600
Total	$ 41,385	$ 60,238

Pension Plans (Continued)

TRS Deferred Inflows and Outflows
The Station's share of deferred outflows of resources and deferred inflows of resources related to TRS was as follows:

	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	$ 545	$ 45	$ 295	$ 117
Changes in actuarial assumptions	649	132	352	348
Difference between projected and actual investment earnings	6,563	-	3,559	-
Changes in proportion differences between employer contributions and proportionate share of contributions	58,641	-	32,620	-
Contributions paid to TRS subsequent to the measurement date	-	-	-	-
Total	$ 66,398	$ 177	$ 36,826	$ 465

*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.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense during the year ending June 30:

	Net Amount to be Recognized as an Increase or (Decrease) to Pension Expense
2018	$ 18,573
2019	13,373
2020	6,543
2021	(909)

Pension Plans (Continued)

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

As of June 30, 2017, MCA 19-20-605 requires each employer to contribute 11.15% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

TRS Actuarial Assumptions - The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

- Total Wage Increases* 4.00% -8.51%
- Investment Return 7.75%
- Price Inflation 3.25%
- Postretirement Benefit Increases 1.50%
  - Tier One Members: If the retiree has received benefits for at least 3 years, the retirement allowance will be increased by 1.5% on January 1st.
  - Tier Two Members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the System to be at least 90% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85%. (starting three years after retirement)
- Mortality among contributing members, service retired members, and beneficiaries
  - For Males: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP 2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back two years, with mortality improvements projected by Scale BB to 2018.
- Mortality among disabled members
  - For Males: RP 2000 Disabled Mortality Table for Males, set forward one year, with mortality improvements projected by Scale BB to 2018.
  - For Females: RP 2000 Disabled Mortality Table for Females, set forward five years, with mortality improvements projected by Scale BB to 2018.

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

Pension Plans (Continued)

TRS Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute $25 million annually. Based on those assumptions, the TRS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability**.** No municipal bond rate was incorporated in the discount rate.

TRS Target Allocations

Asset Class	**Target Asset Allocation**	**Real Rate of Return Arithmetic Basis**	**Long-Term Expected Portfolio Real Rate of Return***
Broad US Equity	36.00 %	4.80 %	1.73 %
Broad International Equity	18.00 %	6.05 %	1.09 %
Private Equity	12.00 %	8.50 %	1.02 %
Intermediate Bonds	23.40 %	1.50 %	0.35 %
Core Real Estate	4.00 %	4.50 %	0.18 %
High Yield Bonds	2.60 %	3.25 %	0.08 %
Non-Core Real Estate	4.00 %	7.50 %	0.30 %
	100.00 %		4.75 %
Inflation			3.25 %
Expected arithmetic nominal return			8.00 %

*The long-term expected nominal rate of return above of 8.00% differs from the total TRS long-term rate of return assumption of 7.75%. The assumed rate comprises a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared every four years for TRS. The most recent analysis, performed for the period covering fiscal years 2009 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Pension Plans (Continued)

The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of June 30, 2017, is summarized in the above table.

TRS Sensitivity Analysis

Below is information regarding the net pension liability calculated using the current and two additional rates:

	Assuming 1% Decrease (6.75%)	At Current Discount Rate (7.75%)	Assuming 1.0% Increase (8.75%)
Station proportion of Net Pension Liability	$ 58,376	$ 43,508	$ 30,891

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

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

PERS

PERS Plan Description

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

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

Pension Plans (Continued)

PERS Eligibility for Participation

All new members in covered positions (generally all University classified employees which excludes faculty and professional staff) are defaulted to the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the University also have a third option to join the 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 are used to pay down the liability of the PERS-DBRP. A new employee of the University who is already an active or inactive member of one of the PERS Plans may remain in the current retirement option or transfer to the MUS-RP. Written election to move to the MUS-RP must be done within 30 days of becoming eligible to participate, or employees default to their existing retirement plan.

PERS Summary of Benefits

Service retirement:

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

Early retirement, actuarially reduced:

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

PERS 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.

Member's highest average compensation (HAC)
- Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months;

Pension Plans (Continued)

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

PERS 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 July 1, 2007 through 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

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

The State of Montana also has a funding arrangement that is not considered a special funding situation whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

The Station's net pension liability related to PERS was as follows for the years ended June 30,

	2018	2017	Percent of Collective NPL at June 30, 2018	Percent of Collective NPL at June 30, 2017	Increase (Decrease) in Percent of Collective NPL
State of Montana Proportionate Share associated with MontanaPBS	$ 1,374,454	$ 1,121,041	- %	- %	- %
Total	$ 1,374,454	$ 1,121,041	- %	- %	- %

Pension Plans (Continued)

The NPL 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 Station’s proportion of the NPL was based on the Station’s contributions received by PERS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS’ participating employers.

PERS Changes between the measurement date and the reporting date

There were no changes in proportion that would have and effect on the employer's proportionate share of the collective NPL.

PERS Changes since the previous measurement date

The following changes in assumptions or other inputs that affected the measurement of the Total Pension Liability have been made since the previous measurement date.

- 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 teh 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%
- Administrative expenses are recognized by an additional amount added to the normal cost contributions rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- 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.
- Each employer may have unique circumstances that impact its proportionate share of the collective net pension liability. The University has not been made aware of any such unique circumstances.

PERS Pension Expense

The Station's pension expense related to PERS was as follows for the years ended June 30,

	2018	2017
Station expense	$ 206,423	$ 288,436
State of Montana Proportionate Share associated with MontanaPBS	18,423	17,484
Total	$ 224,846	$ 305,920

Pension Plans (Continued)

PERS Deferred Inflows and Outflows

At June 30, 2018, the Station share of deferred outflows of resources and deferred inflows of resources related to PERS was as follows:

	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	$ 33,294	$ 881	$ 2,972	$ 2,609
Difference between projected and actual investment earnings	78,356	11,303	108,838	-
Changes in proportion differences between employer contributions and proportionate share of contributions	135,002	24,290	11,608	7,136
Contributions paid to PERS subsequent to the measurement date	74,764	-	33,377	-
Total	$ 321,416	$ 36,474	$ 156,795	$ 9,745

Pension Plans (Continued)

*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, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense during the year ending June 30:

	Net Amount to be Recognized as an Increase or (Decrease) to Pension Expense
2018	$ 23,387
2019	52,714
2020	37,782
2021	(23,045)

PERS Overview of Contributions -
Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.

PERS Member Contributions -
Plan members are required to contribute 7.90% of members' compensation. Contributions are deducted from each member's salary and remitted by participating employers.

The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 in the year following an actuarial valuation in which 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.

PERS Employer contributions

- State and University employers are required to contribute 8.57% of members' compensation.
- Local government entities are required to contribution 8.47% of members' compensation.
- School district employers contributed 8.20% of members' compensation.
- Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.

Pension Plans (Continued)

- Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
- Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

PERS Non Employer Contributions

Special Funding
- The State contributes 0.1% of members' compensation on behalf of local government entities.
- The State contributes 0.37% of members' compensation on behalf of school district entities.

Not Special Funding
- The State contributes from the Coal Tax Severance fund

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

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

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

PERS Actuarial Assumptions-
The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of June 30, 2016, with update procedures to roll forward the Total Pension Liability to June 30, 2017. There were several significant assumptions and other inputs used to measure the Total Pension Liability. 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, 2016. Among those assumptions were the following:

- General Wage Growth* 3.50%
  - *includes Inflation at 2.75%
- Merit Increases 0% to 4.8%
- Investment Return 7.65%
- Administration expense as a % of payroll 0.26%
- Postretirement Benefit Increases
  - 3% 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:
    1.5% for each year PERS is funded at or above 90%;

Pension Plans (Continued)

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.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

PERS Discount Rate

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. 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.

PERS Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60 %	4.00 %	0.10 %
Domestic Equity	36.00 %	4.55 %	1.64 %
Foreign Equity	18.00 %	6.35 %	1.14 %
Fixed Income	23.40 %	1.00 %	0.23 %
Private Equity	12.00 %	7.75 %	0.93 %
Real Estate	8.00 %	4.00 %	0.32 %
	100.00 %		4.36 %
Inflation			2.75 %
Expected Return Expectation			7.11 %

Pension Plans (Continued)

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for PERS. The most recent analysis, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 2017, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS target asset allocation as of June 30, 2017, is summarized in the above table.

PERS Sensitivity Analysis
Below is information regarding the net pension liability calculated using the current and two additional rates:

	1.0% Decrease (6.65%)	Current Discount Rate (7.65%)	1.0% Increase (8.65%)
Station's Proportionate Share	$ 2,001,774	$ 1,374,454	$ 708,195

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

MUS RP
Montana University System Retirement Program (MSU-RP)

The MUS-RP is a defined contribution plan, established under authority of Title 19, Chapter 21, MCA. Benefits at retirement depend upon the amount 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. Combined contributions cannot exceed 13% of the participants compensation (MCA §19-21-203). Individuals are immediately vested with contributions. Annual reports that include financial statements and required supplemental information on the plan are available from TIAA-CREF, 730 Third Avenue, New York, New York 10017-3206, Phone 1-800-842-2733.

Pension Plans (Continued)

Note 7: Other Postemployment Benefits

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

Eligibility. Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) at the time employment ceases may participate in the plan. Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for retiree insurance benefits. The MUS's Interunit Benefits Committee, at the direction of the OCHE, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from $847 - $947 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from $387 - $432 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee.

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

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

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. 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

Note 7: Other Postemployment Benefits (Continued)

June 30, 2018:

		2018
Net OPEB Liability	$	186,048
Deferred OPEB Outflows of Resources		535
Deferred OPEB Inflows of Resources		7,916
OPEB expense		16,344

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. At that time, the number of active University participants in the health insurance plan was 3,097. The total number of inactive (retiree and dependent) participants was 931. During the year ended June 30, 2017 and 2016, the University contributed $47,749,840 and $39,518,632, respectively, which was calculated based on a contribution rate per actively employed participant, whose annual covered payroll totaled $207,301,264 as of the last actuarial valuation. Included within this amount, the University was deemed to have contributed $1,820,866 and $1,314,823, for retirees or their dependents during 2017 and 2016. The percentage of annual OPEB cost contributed to the plan was 34% for 2017. The funded status of the plan as of June 30 was 0% for each of the previous three years.

Note 7: Other Postemployment Benefits (Continued)

Prior to adoption of GASB Statement No. 75, the University's OPEB obligations were computed as follows for 2017 and 2016:

Years Ended June 30,	2017	2016
Annual required contribution	$ 50,305	$ 50,298
Interest on net OPEB obligation	25,829	23,767
Amortization of net OPEB obligation	(20,259)	(18,641)
Annual OPEB cost	55,875	55,424
Contributions made	(18,650)	(18,641)
Increase to net OPEB obligation	37,225	36,783
Net OPEB obligation - Beginning of year	545,173	503,016
Net OPEB obligation - End of year (prior to restatement)	$ 582,398	$ 545,173

Actuarial Methods and Assumptions. Prior to 2018, the projected unit credit funding method was used to determine the cost of the MUS System Employee Group Benefits Plan. This method's objective is to fund each participant's benefits under the plan as they accrue. The total benefit to which each participant is expected to become entitled at retirement is categorized into units, each associated with a year of past or future credited service. The actuarial assumptions included, in addition to marital status at retirement, mortality rates and retirement age:

Method	30-year, level percent of pay amortization on an open basis
Interest/Discount rate	4.25%
Projected payroll increases	2.50%
Healthcare cost trend rate	-8.0% (Medical and Prescription) for the initial year; -Rates decreasing from 7.5% to 5.0% for years 2016 - 2021 -4.5% (Medical and Prescription) in 2022 and beyond
Participation	50% of future retirees are assumed to elect coverage at the time of retirement, 60% of future eligible spouses of future retirees are assumed to elect coverage

Note 7: Other Postemployment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Such events include assumptions about future employment, mortality rates, and healthcare cost trends. Amounts are subject to continual review and revision as actual results are compared with past expectations and new estimates are made. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term perspective, and as such, may include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Note 8: Commitments and Contingencies

The Stations operate their programs with the aid of funding primarily from the following sources:

1. CPB CSG grants.

2. Appropriations from the Montana University System.

3. Contributions from Friends of MontanaPBS, Inc.

A major reduction in the level of support from any of these funding sources could have a negative impact on the Stations' ability to maintain its current programs.

MontanaPBS must use its community service grants within two-year grant periods. Any unexpended funds must be returned to the Corporation for Public Broadcasting. Although it is a possibility that the funds could not be spent within the grant period, the management of MontanaPBS deems the contingency remote.

The Stations face a number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, and (c) Workers' Compensation. The Stations, as departments of the Montana University System, participate in the risk management programs of the Montana University System and the State of Montana.

Federal Interest Period - MontanaPBS has received considerable grant funding over the years from the NTIA/PTFP program in the U.S. Department of Commerce (DOC). The grant mandates a 10-year interest period on all equipment purchased with federal funds during which the station(s) must operate the equipment in compliance with the grant objectives or risk losing the physical assets to repossession. The station(s) last NTIA/PTFP grant (to KUSM – MSU) closed in December 2010. The 10-year requirement will be fulfilled in 2021.

Note 9: Related Party

During the years ended June 30, 2018 and 2017, the Stations received monetary support from Friends of MontanaPBS, Inc. as disclosed in the statements.

Note 10: In-Kind Contributions

The following in-kind contributions were recorded in MontanaPBS's financial statements for the years ended June 30, 2018 and 2017:

	2017	2017
University indirect administrative support and occupancy	$ 1,090,679	$ 1,063,966
In-kind services provided by program sponsors	58,256	32,017
Total	$ 1,148,935	$ 1,095,983

Note 11: Subsequent Events

The Management has evaluated subsequent events through January 11, 2019, which is the date the financial statements were available to be issued and there was no subsequent events that require recognition or disclosure in these financial statements.

Required Supplementary Information

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

TRS Schedule of MontanaPBS's Proportionate Share of the Net Pension Liability

Year	MontanaPBS's Proportion of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Covered Employee Payroll	Montana PBS's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2016	0.00%	$ 63,335	$ 43,331	146.17%	69.30%
2017	0.00%	55,265	30,807	179.39%	66.69%
2018	0.00%	$ 43,508	$ 30,005	145.00%	-%

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

TRS Schedule of MontanaPBS's Contribution

Year	Contractually Required Contributions	Contributions Made *	Excess/ (Deficiency)	MontanaPBS's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	$ 34,795	$ 34,795	$ -	$ 43,331	71.02%
2017	$ 34,626	$ 34,626	$ -	$ 30,807	80.30%
2018	$ 35,270	$ 35,270	$ -	$ 30,005	88.93%

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

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

PERS Schedule of MontanaPBS's Proportionate Share of the Net Pension Liability

Year	MontanaPBS's Proportion of the NPL	MontanaPBS's Share of the NPL	MontanaPBS's Covered Employee Payroll	Montana PBS's share of the NPL as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total Pension Liability
2016	0.00%	$ 772,599	$ 639,347	120.84%	79.90%
2017	0.00%	$ 1,121,041	$ 741,124	151.26%	78.40%
2018	0.00%	$ 1,374,454	$ 806,312	170.46%	74.71%

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

See Independent Accountant's Audit Report on Required Supplementary Information

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

PERS Schedule of MontanaPBS's Contribution

Year	Contractually Required Contributions	Contributions Made *	Excess/ (Deficiency)	MontanaPBS's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	$ 59,401	$ 59,401	$ -	$ 639,347	9.35%
2017	$ 68,145	$ 68,145	$ -	$ 741,124	9.25%
2018	$ 72,476	$ 72,476	$ -	$ 806,312	8.91%

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

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

See Independent Accountant's Audit Report on Required Supplementary Information

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

Notes to Required Supplementary Information - Pensions:

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 wage rates. Amounts determined regarding the plans are subject to continual revision as actual results are compared with past expectations.

TRS

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in the TRS schedules:

Actuarial Valuation Date	Actuarial Cost Method	Amortization Method	Remaining Amortization Period	Inflation	Salary Increase	Investment Rate of Return (Shown Net of Pension Plan Investment Expense, and Including Inflation)
July 1, 2015	Entry age	Level percentage of pay, open	26 years	3.25%	4.00 - 8.51 %	7.75%
July 1, 2016	Entry age	Level percentage of pay, open	24 years	3.25%	4.00 - 8.51 %	7.75%
July 1, 2017	Entry age	Level percentage of pay, open	22 years	3.25%	4.00 - 8.51 %	7.75%

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

See Independent Accountant's Audit Report on Required Supplementary Information

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

PERS

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in the PERS schedules:

Actuarial Valuation Date	Actuarial Cost Method	Amortization Method	Remaining Amortization Period	Asset Valuation Method	Inflation	Salary Increase	Investment Rate of Return (Shown Net of Pension Plan Investment Expense, and Including Inflation)	Other
July 1, 2014, rolled forward to 2015	Entry age	Level percentage of pay, open	30 years	4-year smoothed market	3.00 %	General Wage Growth - 4.00% (including inflation at 3.00%) Merit - 0% - 6%	7.75 %	0.27% administrative expenses as a % of payroll GABA- 3.0% or 1.5% for hires after July 1, 2007
July 1, 2015, rolled forward to 2016	Entry age	Level percentage of pay, open	27.2 years	4-year smoothed market	3.00 %	General Wage Growth - 4.00% (including inflation at 3.00%) Merit - 0% - 6%	7.75 %	0.27% administrative expenses as a % of payroll GABA- 3.0% or 1.5% for hires after July 1, 2007 and before July 1, 2013; for members hired after July 1, 2013: 1.5% for each ear 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
July 1, 2016, rolled forward to 2017	Entry age	Level percentage of pay, open	26 years	4-year smoothed market	2.75 %	General Wage Growth - 3.50% (including inflation at 3.00%) Merit - 0% - 4.8%	7.65 %	See above

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

July 1, 2017, rolled forward to 2018	Entry age	Level percentage of pay, open	30	4-year smoothed market	2.75 %	General Wage Growth - 3.50% (including inflation at 3.00%) Merit - 0% - 4.8%	7.65 %	0.26 administrative expense as a % of payroll. See above

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
See Independent Accountant's Audit Report on Required Supplementary Information

Guaranteed Annual Benefit Adjustment (GABA) - for PERS
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 all 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 before July 1, 2013
- Members hired on or after July 1, 2013
  a. 1.5% each year PERS is funded at or above 90%;
  b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  c. 0% whenever the amortization period for PERS is 40 years or more.

<u>2015 Legislative Changes:</u>
General Revisions - House Bill 101, effective January 1, 2016
Second Retirement Benefit - for PERS
1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- refund of member's contributions from second employment plus regular interest (currently 0.25%);
- no service credit for second employment;
- start same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement.

2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- member receives a recalculated retirement benefit based on laws in effect at second retirement and,
- GABA starts in the January after receiving recalculated benefit for 12 months.

3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:

- refund of member's contributions from second employment plus regular interest (currently 0.25%);
- no service credit for second employment;
- start same benefit amount the month following termination; and,
- GABA starts again in the January immediately following second retirement.

4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:

- member receives same retirement benefit as prior to return to service;
- member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
- GABA starts on both benefits in January after member receives original and new benefit for 12 months.

<u>Revise DC Funding Laws</u> - House Bill 107, effective July 1, 2015, Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

<u>2017 Legislative Changes</u>:

General Revisions - House Bill 101, effective July 1, 2017

Working Retiree Limitations - for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

<u>Terminating Employers - Recovery of actuary costs - for PERS</u>

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

<u>Refunds</u>

1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.

2) Terminating members with accumulated contributions between $200 and $1,000 who wish to rollover their refund must do so within 90 days of termination of service.

3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

<u>Family Law Orders</u>

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

<u>Disabled PERS Defined Contribution (DC) Members</u>

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

<u>PERS Statutory Appropriation – House Bill 648, effective July 1, 2017</u>

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1) FY2018 - $31.386 million

2) FY2019 - $31.958 million

3) Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:

FY2020 - $32.277 million

FY2021 - $32.6 million

FY2022 - $32.926 million

FY2023 - $33.255 million

FY2024 - $33.588 million

FY2025 - $33.924 million

See Independent Accountant's Audit Report on Required Supplementary Information

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

The funded status of the plan as of the actuarial valuations dated July 1 were as follows:

	2013	2015	2017
Actuarial accrued liability (AAL)	$ 49,869,358	$ 54,239,400	$ -
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	49,869,358	54,239,400	-
Funded percentage (actuarial value of plan assets/AAL)	0.00 %	0.00 %	0.00 %
Covered payroll (active plan member)	183,870,217	201,051,981	-
UAAL as a percentage of covered payroll	27.12 %	26.98 %	- %

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

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

Actuarial Valuation Date	2013	2015	2017
Interest/Discount rate	4.25 %	4.25 %	- %
Projected payroll increases	2.50 %	2.50 %	- %
Participant Percentage	55.00 %	55.00 %	- %

See Independent Accountant's Audit Report on Required Supplementary Information

Supplementary Information

MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
for the years ended June 30

	Broadcasting	Programming and Production	Program Information and Promotion	Total Program Services	Management and General	Fundraising and Membership Development	Solicitation and Underwriting	2018 Total Expenses	2017 Total Expenses
Salaries and benefits	$ 961,067	$ 828,694	$ 212,919	$ 2,002,680	$ 508,350	$ 352,857	$ 7,242	$ 2,871,129	$ 2,902,033
Services	53,608	144,223	18,588	216,419	39,927	16,010	-	272,356	224,151
Supplies	189,125	122,440	10,946	322,511	85,180	8,310	-	416,001	385,887
Communications	31,576	72,937	470	104,983	20,755	38,896	-	164,634	126,145
Travel	29,631	98,356	11,133	139,120	26,833	17,227	-	183,180	153,558
Rent	124,577	26,495	-	151,072	33,398	2,379	-	186,849	205,231
Repair and maintenance	39,640	6,909	19	46,568	49,822	11	-	96,401	95,622
Public broadcasting dues	-	725,646	-	725,646	-	-	-	725,646	744,817
Indirect costs	363,939	290,519	93,407	747,865	184,535	155,645	3,532	1,091,577	1,063,966
Other	25,987	155,452	2,433	183,872	49,595	35,036	-	268,503	305,283
Depreciation and amortization	311,033	84,627	-	395,660	38,590	186	-	434,436	424,882
Total operating expenses	$ 2,130,183	$ 2,556,298	$ 349,915	$ 5,036,396	$ 1,036,985	$ 626,557	$ 10,774	$ 6,710,712	$ 6,631,575

See Independent Accountant's Audit Report on Supplementary Information

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF NET POSITION
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS	KUSM	KUFM	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 1,397,937	$ 232,882	$ 1,630,819
Accounts receivable	73,428	12,162	85,590
Grants receivable	77,215	-	77,215
Prepaid expenses	50,534	26,379	76,913
Total current assets	1,599,114	271,423	1,870,537
CAPITAL ASSETS			
Studio and broadcast equipment	2,780,476	1,220,219	4,000,695
Production equipment	2,250,996	-	2,250,996
Vehicles	75,795	-	75,795
Office machines	17,435	-	17,435
Transmission, antenna, tower	3,434,771	501,134	3,935,905
Equipment not placed in service	462,356	-	462,356
Accumulated depreciation	(7,054,514)	(1,633,827)	(8,688,341)
Total capital assets	1,967,315	87,526	2,054,841
NONCURRENT ASSETS			
Prepaid expenses	16,077	-	16,077
Total noncurrent assets	16,077	-	16,077
Total assets	3,582,506	358,949	3,941,455
DEFERRED OUTFLOWS OF RESOURCES - pension and OPEB	234,996	153,353	388,349
	$ 3,817,502	$ 512,302	$ 4,329,804

LIABILITIES AND DEFERRED INFLOWS	KUSM	KUFM	Total
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 106,389	$ -	$ 106,389
Unearned revenue	553,989	18,702	572,691
Current portion, compensated absences	166,024	53,134	219,158
Current portion, long-term debt	73,987	-	73,987
Current portion, capital lease obligations	3,334	-	3,334
Total current liabilities	903,723	71,836	975,559
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	39,250	66,283	105,533
Long-term debt, net of current portion	176,342	-	176,342
Capital lease, net of current portion	3,651	-	3,651
Net pension liability	727,286	690,676	1,417,962
Net OPEB obligation - health benefits	139,472	46,576	186,048
Total noncurrent liabilities	1,086,001	803,535	1,889,536
Total liabilities	1,989,724	875,371	2,865,095
DEFERRED INFLOWS OF RESOURCES - pension and OPEB	11,646	32,921	44,567
NET POSITION			
Invested in capital assets, net of related debt	1,710,001	87,526	1,797,527
Unrestricted	106,131	(483,516)	(377,385)
Total net position	1,816,132	(395,990)	1,420,142
	$ 3,817,502	$ 512,302	$ 4,329,804

See Independent Accountant's Audit Report on Supplementary Information

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

for the year ended June 30, 2018

	KUSM	KUFM	Total
OPERATING REVENUES			
Sales and services	$ 25,207	$ 42,742	$ 67,949
Contract production	395,075	-	395,075
Broadband lease	57,219	-	57,219
Total operating revenues	477,501	42,742	520,243
OPERATING EXPENSES			
Broadcasting	1,746,264	383,919	2,130,183
Programming and production	2,030,348	525,950	2,556,298
Program information and promotion	349,915	-	349,915
Management and general	785,424	251,561	1,036,985
Fundraising and membership development	626,541	16	626,557
Solicitation and underwriting	10,774	-	10,774
Total operating expenses	5,549,266	1,161,446	6,710,712
OPERATING LOSS	(5,071,765)	(1,118,704)	(6,190,469)
NONOPERATING REVENUES			
Grants from CPB	1,292,834	-	1,292,834
Grants from state agencies	52,145	-	52,145
Federal grants and contracts	251,665	4,485	256,150
State and local grants and contracts	1,353	748	2,101
Support from the Montana University System			
Appropriations for operations	1,075,260	349,699	1,424,959
Donated and indirect	989,480	101,199	1,090,679
Contributions from Friends used for operations	1,175,624	284,482	1,460,106
In-kind contributions	44,456	13,800	58,256
PBS royalties	5,814	-	5,814
Production underwriting	106,635	86,860	193,495
Program underwriting	57,807	-	57,807
Other contributions	40,050	8,473	48,523
Other revenue	8,130	22,602	30,732
Total nonoperating revenues	5,101,253	872,348	5,973,601
OTHER REVENUES, EXPENSES, GAINS AND LOSSES			
Loss on sale of assets	(8,185)	-	(8,185)
Interest Expense	(631)	-	(631)
Investment income	4,581	1,192	5,773
Total other revenues, expenses, gains and losses	(4,235)	1,192	(3,043)
NET CHANGE IN NET POSITION	25,253	(245,164)	(219,911)
NET POSITION - Beginning of year as previously stated	1,461,991	(227,150)	1,234,841
RESTATEMENT - Beginning of year - OPEB	328,888	76,324	405,212
NET POSITION - Beginning of year as restated	1,790,879	(150,826)	1,640,053
NET POSITION - End of year	$ 1,816,132	$ (395,990)	$ 1,420,142

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MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
for the year ended June 30, 2018

	KUSM	KUFM	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales and services of educational activities	$ 473,230	$ 42,742	$ 515,972
Compensation and benefits	(2,256,493)	(557,883)	(2,814,376)
Other operating expenses	(1,881,116)	(283,579)	(2,164,695)
Net cash from operating activities	(3,664,379)	(798,720)	(4,463,099)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from Friends of MontanaPBS	1,151,729	284,482	1,436,211
Other contributions	-	8,475	8,475
Production underwriting	125,123	-	125,123
State appropriations	1,075,260	349,699	1,424,959
Grants and contracts	1,549,274	89,107	1,638,381
Other receipts	169,388	32,602	201,990
Net cash from noncapital financing activities	4,070,774	764,365	4,835,139
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(141,742)	-	(141,742)
Purchases of construction in progress	(246,101)	-	(246,101)
Principal and interest paid on long-term debt	(54,800)	-	(54,800)
Net cash from capital and related financing activities	(442,643)	-	(442,643)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	4,581	1,192	5,773
NET CHANGE IN CASH AND CASH EQUIVALENTS	(31,667)	(33,163)	(64,830)
CASH AND CASH EQUIVALENTS - Beginning of year	1,429,604	266,045	1,695,649
CASH AND CASH EQUIVALENTS - End of year	$ 1,397,937	$ 232,882	$ 1,630,819
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	$ (5,071,765)	$ (1,118,704)	$ (6,190,469)
Adjustments to reconcile change in net position to net cash from operating activities			
Depreciation and amortization	314,273	119,975	434,248
Non-cash operating expenses paid directly by the University	989,480	101,199	1,090,679
In-kind non-cash operating expenses	44,456	13,800	58,256
Net loss on disposal of fixed assets	-	1,772	1,772
Net pension liability and related deferred inflows and outflows	(4,417)	-	(4,417)
(Increase) decrease in assets			
Accounts receivable	(2,503)	-	(2,503)
Prepaid expenses	(4,040)	9,043	5,003
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	78,596	(2,000)	76,596
Compensated absences	(14,255)	(9,984)	(24,239)
Unearned revenue	(1,768)	-	(1,768)
Net OPEB obligation - health benefits	7,564	86,179	93,743
Net cash flows from operating activities	$ (3,664,379)	$ (798,720)	$ (4,463,099)

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MontanaPBS
A PUBLIC TELEVISION ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
RECONCILIATION SCHEDULES
for the year ended June 30

	KUSM	**KUFM**	**Friends of MontanaPBS, Inc.**	**2018 Total**	2017 Total
SUPPORT AND REVENUES					
Total support and revenues per statement of revenue, expenses, and changes in net position					
Operating revenues	**$ 477,501**	**$ 42,742**	**$ -**	**$ 520,243**	$ 260,660
Nonoperating revenues	**5,101,253**	**872,348**	**2,234,283**	**8,207,884**	8,018,419
Other revenues	**4,581**	**1,192**	**31,930**	**37,703**	48,592
Subtotal per CPB report Schedule F	**5,583,335**	**916,282**	**2,266,213**	**8,765,830**	8,327,671
Less					
Federal support	**251,665**	**-**	**-**	**251,665**	111,120
Public broadcasting support	**1,300,964**	**-**	**-**	**1,300,964**	1,239,503
Friends revenue presented discretely	**-**	**-**	**1,549,422**	**1,549,422**	1,621,365
In-kind revenue (not NFFS)	**26,513**	**-**	**-**	**26,513**	10,417
Capital grants and contributions	**-**	**-**	**-**	**-**	-
Miscellaneous other items	**489,625**	**42,742**	**167,354**	**699,721**	476,537
Subtotal	**2,068,767**	**42,742**	**1,716,776**	**3,828,285**	3,458,942
Non-Federal financial support per CPB report summary, Line 5	**$ 3,514,568**	**$ 873,540**	**$ 549,437**	**$ 4,937,545**	$ 4,868,729
EXPENSES					
Total expenses per statement of revenues, expenses, and changes in net position	**$ 5,549,897**	**$ 1,161,446**	**$ 2,049,741**	**$ 8,761,084**	$ 8,790,525
Less contributions from Friends of Montana PBS to Montana PBS/ KUSM TV/KUFM TV	**-**	**-**	**1,549,422**	**1,549,422**	1,621,365
OPERATING EXPENSES PER CPB Report Summary, Schedule E, Line 8	**$ 5,549,897**	**$ 1,161,446**	**$ 500,319**	**$ 7,211,662**	$ 7,169,160

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MONTANA PBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
CONSOLIDATING SCHEDULE OF REVENUES AND EXPENSES
for the year ended June 30, 2018

	KUSM	KUFM	Friends of MontanaPBS	Eliminations	Total	Schedule F AFR	Difference
OPERATING REVENUES							
Sales and services	$ 25,207	$ 42,742	$ -	$ -	$ 67,949		
Contract production	395,075	-	-	-	395,075		
Broadband lease	57,219	-	-	-	57,219		
Total operating revenues	477,501	42,742	-	-	520,243	520,243	-
OPERATING EXPENSES							
Broadcasting	1,746,264	383,919	-	-	2,130,183		
Programming and production	2,030,348	525,950	-	-	2,556,298		
Program information and promotion	349,915	-	-	-	349,915		
Management and general	785,424	251,561	-	-	1,036,985		
Fundraising and membership development	626,541	16	-	-	626,557		
Solicitation and underwriting	10,774	-	-	-	10,774		
Friends of MontanaPBS payments to stations	-	-	1,549,422	(1,549,422)	-		
Friends of Montana PBS other expenses	-	-	500,319	-	500,319		
Total operating expenses	5,549,266	1,161,446	2,049,741	(1,549,422)	7,211,031		
OPERATING INCOME (LOSS)	(5,071,765)	(1,118,704)	(2,049,741)	1,549,422	(6,690,788)		
NONOPERATING REVENUES							
Grants from CPB	1,292,834	-	-	-	1,292,834		
Grants from state agencies	52,145	-	-	-	52,145		
Federal grants and contracts	251,665	4,485	-	-	256,150		
State and local grants and contracts	1,353	748	-	-	2,101		
Support from the Montana University System							
Appropriations for operations	1,075,260	349,699	-	-	1,424,959		
Donated and indirect	989,480	101,199	-	-	1,090,679		
Contributions from Friends used for operations	1,175,624	284,482	-	-	1,460,106		
In-kind contributions	44,456	13,800	-	-	58,256		
PBS royalties	5,814	-	-	-	5,814		
Production underwriting	106,635	86,860	-	-	193,495		
Program underwriting	57,807	-	-	-	57,807		
Other contributions	40,050	8,473	-	-	48,523		
Other operating revenue	8,130	22,602	-	-	30,732		
Friends of MontanaPBS revenue excluding gains	-	-	2,234,283	(1,549,422)	684,861		
Friends of MontanaPBS revenue gains	-	-	31,930	-	31,930		
Total nonoperating revenues	5,101,253	872,348	2,266,213	(1,549,422)	6,690,392	6,690,392	-
OTHER REVENUES, EXPENSES, GAINS AND LOSSES							
Loss on sale of assets	(8,185)	-	-	-	(8,185)		
Interest expense	(631)	-	-	-	(631)		
Investment income	4,581	1,192	-	-	5,773		
Total other revenues, expenses, gains and losses	(4,235)	1,192	-	-	(3,043)	5,773	(8,816)
NET CHANGE IN NET POSITION	25,253	(245,164)	216,472	(216,472)	(219,911)		
NET POSITION - Beginning of year	1,461,991	(227,150)	1,332,296	(1,332,296)	1,234,841		
RESTATEMENT - Beginning of year - OPEB	328,888	76,324	-	-	405,212		
NET POSITION - End of year	$ 1,487,244	$ (472,314)	$ 1,548,768	$ (1,548,768)	$ 1,420,142		

Total Revenues Per AFR line E	$ 7,216,408
Total Revenues Per Financial Statements	$ 7,216,408

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