MontanaPBS
A Public Television Entity Operated By The Montana University System

Financial Statements and Supplementary Information

Years ended June 30, 2017 and 2016

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 financial position and activities for the fiscal years ended June 30, 2017 and 2016. 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 (collectively referred to as the "Station") 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 fund raising 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, 2017, 2016, and 2015 and should be read in conjunction with the fiscal year 2017 financial statements and supplemental notes.

FINANCIAL HIGHLIGHTS AND ANALYSIS

As compared with June 30, 2016, the Station saw its overall financial position decline by $528,179 in FY17, 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 of $222,191, grants from the Corporation for Public Broadcasting of $187,912, federal grants of $104,064 and from support provided by the Montana University System, $178,954. In FY16, KUSM was approved for a $300,000 Intercap loan. $115,473 was spent in FY16 and the remaining $184,528 proceeds were used in FY17 to again replace outdated equipment.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

In FY16, the Station saw its overall financial position decline slightly by $63,640, primarily from a $46,137 increase in its operating loss. Overall, results were very comparable between FY16 and FY15, with no significant changes in operating and non-operating revenues and expenses. Though total operating revenues were down slightly, contributions from Friends increased by $70,397 over the prior year. During the year, KUSM TV entered into a debt agreement approved for up to $300,000, of which $115,473 was used in FY16 to replace outdated equipment used for station operations.

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:

	2017	2016	2015
ASSETS			
Total current assets	$ 1,885,113	$ 1,774,238	$ 1,661,244
Capital assets, net	2,111,195	2,160,246	2,163,782
Total other non-current assets	3,370	16,300	9,909
Total Assets	3,999,678	3,950,784	3,834,935
DEFERRED OUTFLOWS	193,621	135,861	113,165
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 4,193,299	$ 4,086,645	$ 3,948,100
LIABILITIES			
Total current liabilities	$ 803,997	$ 650,086	$ 557,055
Total non-current liabilities	2,144,251	1,607,612	1,383,280
Total Liabilities	2,948,248	2,257,698	1,940,335
DEFERRED INFLOWS	10,210	65,927	181,105
NET POSITION			
Invested in capital assets, net of related debt	1,799,712	2,020,367	2,131,483
Unrestricted	(564,871)	(257,347)	(304,823)
Total Net Position	1,234,841	1,763,020	1,826,660
Total Liabilities and Net Position	$ 4,193,299	$ 4,086,645	$ 3,948,100

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.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- 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 FY17, 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.

<u>Events or developments which occurred during 2016 include:</u>

- Current assets increased by $112,994, primarily due to an increase in cash and cash equivalents of $98,025 and an increase in accounts receivable of $14,997.

- Overall, capital assets declined by a modest $3,536 in FY16. Changes to capital assets included additions of $377,864 to replace outdated equipment used for station operations, which was offset by an increase in accumulated depreciation of $384,287.

- Total liabilities increased by $317,363 in FY16, 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 $115,473 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 $110,789 over the prior year. 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 $42,157 in FY16.

- Net position decreased by $63,640 in FY16, due largely to a $111,116 decrease in investment in capital assets, net of related debt, which was offset by an increase in unrestricted net position of $47,476**.** The Station issued long-term debt of $115,473 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

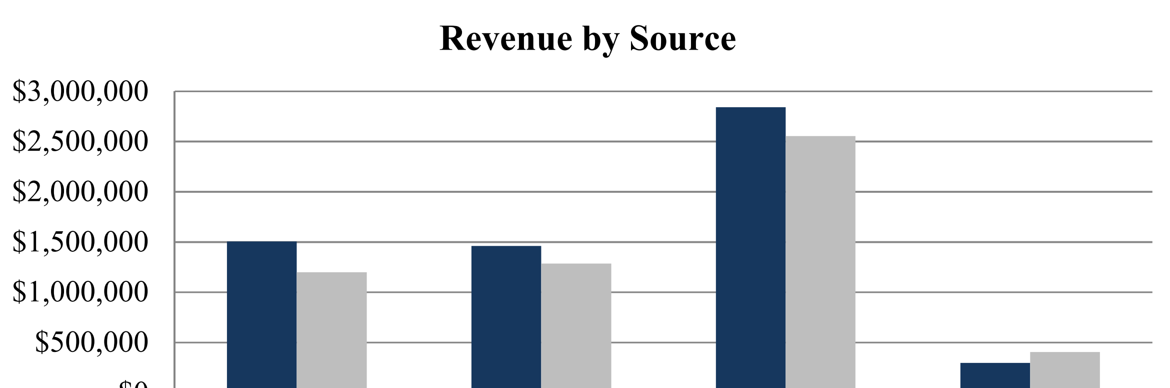
FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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:

	2017	2016	2015
Operating revenue	$ 260,660	$ 222,882	$ 396,089
Operating expenses	6,631,575	5,510,500	5,484,570
Operating loss	(6,370,915)	(5,287,618)	(5,088,481)
Non-operating revenues	5,837,515	5,218,356	5,028,236
Capital contributions and other items	5,221	5,622	1,628
Net increase (decrease) in net position	(528,179)	(63,640)	(58,617)
Net position, beginning of year, as previously reported	1,763,020	1,826,660	2,725,134
Net position, prior period adjustment	-	-	(839,857)
Net position, end of year	$ 1,234,841	$ 1,763,020	$ 1,826,660

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



	Grants	University Support	Donations & Contributions	Sales, Service, & Miscellaneous
FY17	$1,504,109	$1,461,693	$2,841,648	$296,627
FY16	$1,200,956	$1,285,705	$2,553,196	$407,469

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.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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

  The substantial increase in operating expenses for FY17 is in large part due to a 22%, or $524,315, increase in salaries and wages, accounting for 47% of the total increase. KUSM TV saw considerable employee growth throughout the year with several full-time equivalent (FTE) employees added including, a teaching ambassador, an additional front desk administrator and an additional contract producer. The $342,000 increase in pension related expense and the University pay plans contributed to the remaining increase in salaries and wages.

  The increase in other operating expense classifications of $596,760 was largely due to increases in services costs of $78,960, travel of $52,829 and other expenses of $196,716. The station paid substantial legal fees for the addition of the Helena transmitter. The hiring of the KUSM-TV Teaching Ambassador, three large productions during FY17, and the Summer Library Tour contributed to the increase in travel and other expenses.

- 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 of$7,396, state and local grants and contracts of $76,251, other contributions of $63,782, and program and production underwriting, $13,431.

- For additional analysis, the supplemental information 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.

<u>Events or developments which occurred during 2016 include:</u>

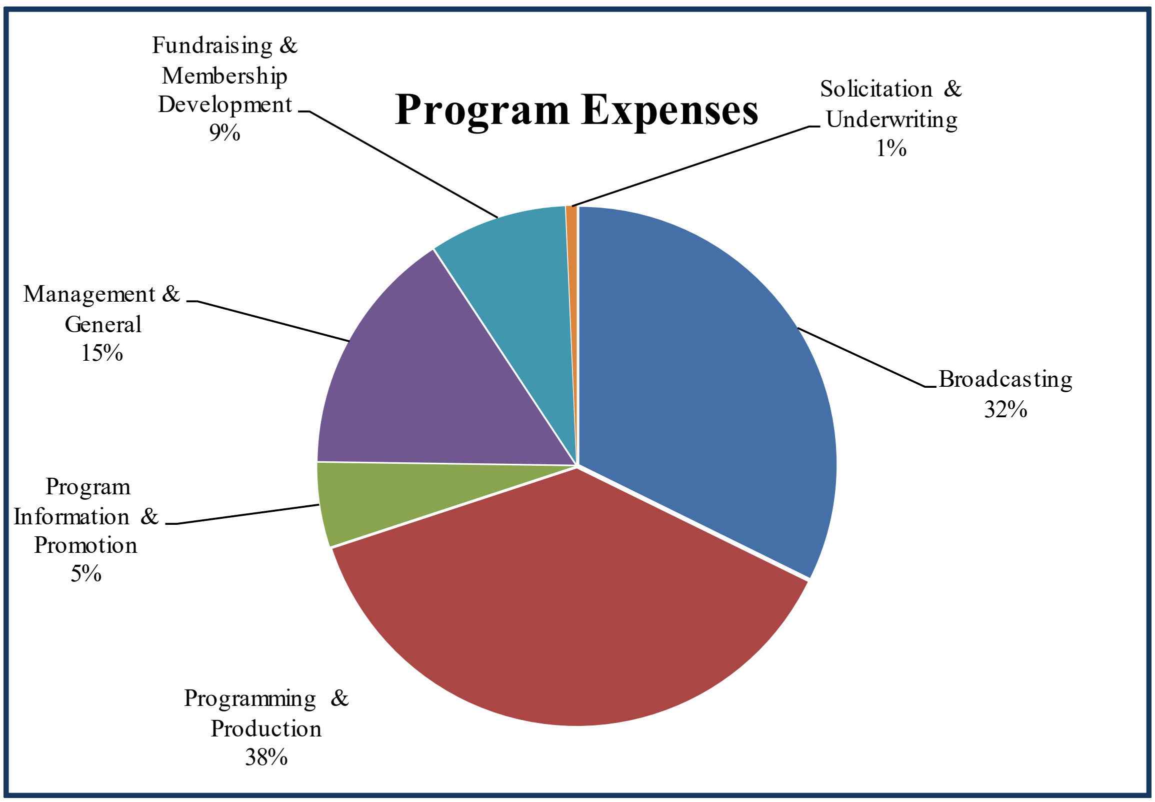
- Operating revenues decreased in FY16 by $23,207, or by 9.4%, due largely to an $11,704 decrease in sales and service revenue. Contract production revenue also decreased in the amount of $12,963.

- Operating expenses increased $25,930 in FY16, or by less than 1.0%. Increases of operating expenses in programming and production of $43,056, program information and promotion of $81,816, and fundraising and membership development of $27,806, were offset by a decrease in management and general expenses in the amount of $114,376.

- Non-operating revenue increased in total by $40,120 in FY16, or by less than 1.0%. Contributions from Friends used for operations increased by almost 6.0% in FY16, or by $70,397. Other notable changes in non-operating revenues in FY16, included increases in grants from the Corporation for Public Broadcasting of $21,808, support from the Montana University System of $41,462, and nongovernmental grants and contracts of $11,912, which were offset by decreases in program underwriting of $17,786, state and local grants and contracts of $26,548, other contributions of$38,601, and other revenue, $16,584.

- For additional analysis, the supplemental information 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 2017:



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.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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

	2017	2016	2015
CASH PROVIDED BY (USED IN)			
Operating activities	$(4,572,765)	$(3,912,045)	$(3,673,350)
Noncapital financing activities	4,836,736	4,199,732	4,220,145
Capital and related financing activities	(242,459)	(195,750)	(73,381)
Investing activities	5,902	6,088	2,219
Net change in cash and cash equivalents	27,414	98,025	475,633
Cash and cash equivalents – beginning of year	1,668,235	1,570,210	1,094,577
Cash and cash equivalents – end of year	$ 1,695,649	$ 1,668,235	$ 1,570,210

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

- 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 of $318,954, production underwriting of $35,619, other receipts of $29,634, contributions from Friends of $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.

<u>Events or developments which occurred during 2016 include:</u>

- Cash used in operating activities totaled $3,912,045, which was slightly higher by $238,695, compared to the prior year. The operating loss on an accrual basis of $5,287,618 is adjusted for noncash operating activities including: depreciation expense of $381,400; indirect university support of $911,000; and a net decrease in OPEB liabilities of $15,310.

- In FY16, cash provided from noncapital financing activities, which totaled $4,199,732, was primarily from contributions from Friends of MontanaPBS of $1,300,779, state appropriations of $1,435,705, and grants and contracts of $1,256,819. The total amount of cash provided from noncapital financing activities decreased by $170,413 in FY16, due primarily to decreases in grants and contracts of $71,733, production underwriting of $46,573, and other receipts, $144,378.

FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Cash flows from capital and related financing activities amounted to a decrease in funds of $195,750, in FY16. Proceeds of $115,473 from the issuance of long-term debt, along with cash from other sources, was used to purchase $302,864 of capital assets during the year. Net cash used in capital and related financing activities increased by $122,369 compared to FY15.

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 our service-area expansion stabilizes. New growth will likely come from utilizing better practices and not necessarily 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 applied to major and planned giving, which has already shown results and has great promise. Development services, including direct mail, continue to generate increased revenues. The slowly recovering economy has resulted in a better non-profit climate overall and has contributed to station fundraising growth. If this trend continues, management expects growth to continue in the year ahead.

- National PBS membership dues make up a significant portion of the station's operating expenses and have fluctuated in the past. With recent changes in PBS dues policy, management expects the variability of PBS dues to better track the station's CPB grant funding. Management closely monitors federal funding and can generally predict resulting changes that may affect PBS dues.

- Increases in personnel costs due to state salary adjustments, and increases in healthcare benefits costs are presenting new draws on station budgets.

- The financial health of the stations can be directly affected by the overall health of their university licensees. Currently, the University of Montana is grappling with enrollment related budget challenges, program prioritization, staff buyouts and a change in administration. 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's "InterCap" loan program to amortize project costs over time.

ECONOMIC OUTLOOK (continued)

- The FCC auction of broadcast spectrum is largely complete. As expected, the stations did not realize any financial gains and instead face costs related to the displacement of the KUKL-TV license and the related transition costs, which may be only partially reimbursed by the FCC auction proceeds. Additionally the stations remain concerned about unfunded costs related to translators that may fall on the stations to cover.

- High profile local programming such as *C.M. Russell and the American West* will contribute significantly to pledge and membership revenues in FY18. MontanaPBS' stands out among other public television stations with remarkable pledge success around local programs and we expect this to continue.

- Grant funding from the National Institute of Standards and Technology for the making of the *Last Artifact* film has significantly increased production activity and fiscal resources. PBS' 3-year Teacher Community Program grant has funded a new position and educational services.

- Securing the two-year contract with Montana's Legislative Services Division for the operation of the legislative channel TVMT will significantly strengthen MontanaPBS' fiscal position in FY18 and FY19.

- Management changes and staff assignments at KUSM present opportunity for growth in the year ahead. Qualified professionals sharing many decades of collective experience and successful service to MontanaPBS hold both interim and permanent management positions.

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, 2017 and 2016, 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, 2017 and 2016, 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

Wipfli LLP

January 3, 2018
Missoula, Montana

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM

STATEMENTS OF NET POSITION

June 30

ASSETS AND DEFERRED OUTFLOWS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,695,649**	$ 1,668,235
Accounts receivable	**58,079**	47,317
Grants receivable	**37,584**	-
Prepaid expenses	**93,801**	58,686
Total current assets	**1,885,113**	1,774,238
CAPITAL ASSETS, Net of accumulated depreciation - Note 3	**2,111,195**	2,160,246
NONCURRENT ASSETS		
Prepaid expenses	**3,370**	16,300
Total noncurrent assets	**3,370**	16,300
Total assets	**3,999,678**	3,950,784
DEFERRED OUTFLOWS OF RESOURCES - pension related	**193,621**	135,861
	$ 4,193,299	$ 4,086,645

LIABILITIES AND DEFERRED INFLOWS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 29,793**	$ 24,976
Unearned revenue	**499,346**	371,119
Current portion, compensated absences	**220,687**	234,764
Current portion, long-term debt	**50,678**	17,146
Current portion, capital lease obligations	**3,493**	2,081
Total current liabilities	**803,997**	650,086
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	**128,235**	105,853
Long-term debt, net of current portion	**250,327**	116,477
Capital lease, net of current portion	**6,985**	4,175
Net pension liability	**1,176,306**	835,934
Net OPEB obligation - health benefits	**582,398**	545,173
Total noncurrent liabilities	**2,144,251**	1,607,612
Total liabilities	**2,948,248**	2,257,698
DEFERRED INFLOWS OF RESOURCES - pension related	**10,210**	65,927
NET POSITION		
Invested in capital assets, net of related debt	**1,799,712**	2,020,367
Unrestricted	**(564,871)**	(257,347)
Total net position	**1,234,841**	1,763,020
	$ 4,193,299	$ 4,086,645

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

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	**$ 85,552**	$ 93,260
Restricted cash	**137,047**	141,556
Investments - restricted	**1,112,423**	1,039,999
Prepaid expense	**4,827**	5,719
Premium inventory	**9,331**	10,433
TOTAL ASSETS	**$ 1,349,180**	$ 1,290,967
LIABILITIES		
Accounts payable	**$ 5,769**	$ 3,725
Due to affiliate	**11,115**	20,271
Total liabilities	**16,884**	23,996
NET ASSETS		
Unrestricted	**82,826**	87,338
Temporarily restricted	**1,249,470**	1,179,633
Total net assets	**1,332,296**	1,266,971
TOTAL LIABILITIES AND NET ASSETS	**$ 1,349,180**	$ 1,290,967

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

	2017	2016
OPERATING REVENUES		
Sales and services	**$ 40,719**	$ 35,725
Contract production	**164,266**	132,991
Broadband lease	**55,675**	54,166
Total operating revenues	**260,660**	222,882
OPERATING EXPENSES		
Broadcasting	**2,139,543**	1,962,109
Programming and production	**2,499,013**	2,163,491
Program information and promotion	**349,053**	172,052
Management and general	**1,027,551**	720,260
Fundraising and membership development	**570,151**	463,478
Solicitation and underwriting	**46,264**	29,110
Total operating expenses	**6,631,575**	5,510,500
OPERATING LOSS	**(6,370,915)**	(5,287,618)
NONOPERATING REVENUES		
Grants from CPB	**1,226,404**	1,038,492
Grants from state agencies	**56,608**	50,760
Grants from public broadcasting entities	**-**	10,000
Federal grants and contracts	**104,064**	-
State and local grants and contracts	**10,641**	86,892
Nongovernmental grants and contracts	**10,223**	14,812
Support from the Montana University System		
Appropriations for operations	**1,461,693**	1,435,705
Donated and indirect	**1,063,966**	911,000
Contributions from Friends used for operations	**1,520,040**	1,297,849
In-kind underwriting contributions	**32,017**	52,659
PBS royalties	**6,573**	8,245
Production underwriting	**243,331**	142,047
Program underwriting	**57,409**	64,805
Other contributions	**21,054**	84,836
Other revenue	**25,223**	20,254
Total nonoperating revenues	**5,839,246**	5,218,356
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Interest Expense	**(681)**	(466)
Investment income, net	**4,171**	6,088
Total other revenues, expenses, gains and losses	**3,490**	5,622
CHANGE IN NET POSITION	**(528,179)**	(63,640)
NET POSITION - Beginning of year	**1,763,020**	1,826,660
NET POSITION - End of year	**$ 1,234,841**	$ 1,763,020

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	81	19,703	19,784
Realized gain on investments		5,293	5,293
Unrealized gain on investments	-	44,421	44,421
Satisfaction of program requirements	349,922	(349,922)	-
Total support	2,153,757	69,837	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	(4,512)	69,837	65,325
NET ASSETS - Beginning of year	87,338	1,179,633	1,266,971
NET ASSETS - End of year	$ 82,826	$ 1,249,470	$ 1,332,296

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, 2016

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Donations - unrestricted	$ 966,376	$ -	$ 966,376
Donations - restricted	-	173,171	173,171
Membership dues	691,475	-	691,475
Interest and dividend income	78	18,434	18,512
Unrealized loss on investment	-	(10,318)	(10,318)
Satisfaction of program requirements	147,181	(147,181)	-
Total support	1,805,110	34,106	1,839,216
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	989,650	-	989,650
KUFM Television per contract	247,413	-	247,413
KUSM Television programming support	61,023	-	61,023
KUFM Television programming support	41,000	-	41,000
KUSM equipment	42,105	-	42,105
Total payments to affiliates	1,381,191	-	1,381,191
Other program services:			
Program guide costs	74,377	-	74,377
Total program services	74,377	-	74,377
Fundraising:			
Credit card and bank fees	28,446	-	28,446
Pledge drive premiums and support	137,079	-	137,079
Postage and direct mail preparation	141,095	-	141,095
Promotion and promotional premiums	4,800		4,800
Special events	385	-	385
Total fundraising	311,805	-	311,805
Management and administrative:			
Accounting and bookkeeping services	17,267	-	17,267
Insurance	1,880	-	1,880
Miscellaneous	591	-	591
Travel and conferences	14,870	-	14,870
Total management and administration	34,608	-	34,608
Total expenses	1,801,981	-	1,801,981
CHANGE IN NET ASSETS	3,129	34,106	37,235
NET Net assets at beginning of year	84,209	1,145,527	1,229,736
NET ASSETS - End of year	$ 87,338	$ 1,179,633	$ 1,266,971

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and services of educational activities	**$ 248,213**	$ 224,812
Compensation and benefits	**(2,636,554)**	(2,346,338)
Other operating expenses	**(2,180,828)**	(1,790,519)
Net cash from operating activities	**(4,569,169)**	(3,912,045)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Friends of MontanaPBS	**1,527,064**	1,300,779
Production underwriting	**148,932**	116,387
State appropriations	**1,461,694**	1,435,705
Grants and contracts	**1,575,773**	1,256,819
Other receipts	**121,408**	90,042
Net cash from noncapital financing activities	**4,834,871**	4,199,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	**(413,383)**	(302,864)
Proceeds received from the issuance of debt	**191,628**	115,473
Principal and interest paid on long-term debt	**(20,704)**	(8,359)
Net cash from capital and related financing activities	**(242,459)**	(195,750)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	**4,171**	6,088
NET CHANGE IN CASH AND CASH EQUIVALENTS	**27,414**	98,025
CASH AND CASH EQUIVALENTS - Beginning of year	**1,668,235**	1,570,210
CASH AND CASH EQUIVALENTS - End of year	**$ 1,695,649**	$ 1,668,235
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	**$ (6,370,915)**	$ (5,287,618)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	**424,882**	381,400
Non-cash operating expenses paid directly by the University	**1,063,966**	911,000
In-kind non-cash operating activities	**32,017**	52,659
Net loss on disposal of fixed assets	**37,552**	-
Net pension liability and related deferred inflows and outflows	**227,618**	(26,846)
(Increase) decrease in assets		
Accounts receivable	**(13,413)**	(4,621)
Prepaid expenses	**(22,186)**	(6,363)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**4,817**	(15,110)
Compensated absences	**8,302**	34,748
Unearned revenue	**965**	6,550
Net OPEB obligation - health benefits	**37,226**	42,156
Net cash flows from operating activities	**$ (4,569,169)**	$ (3,912,045)

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 65,325**	$ 37,235
Adjustments to reconcile change in net assets to		
net cash from operating activities:		
Unrealized (gain) loss on investment	**(44,421)**	10,318
Realized (gain) loss on investment	**(5,293)**	-
(Increase) decrease in:		
Prepaid expense	**891**	537
Premium inventory	**1,102**	(1,792)
Increase (decrease) in:		
Accounts payable	**2,044**	(1,208)
Due to affiliate	**(9,156)**	(3,665)
Cash flows from operating activities	**10,492**	41,425
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	**(65,847)**	(14,114)
Net proceeds sale of investments	**43,138**	-
Cash flows from investing activities	**(22,709)**	(14,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,217)**	27,311
CASH AND CASH EQUIVALENTS - Beginning of year	**234,816**	207,505
CASH AND CASH EQUIVALENTS - End of year	**$ 222,599**	$ 234,816
Cash and cash equivalents - unrestricted	**$ 85,552**	$ 93,260
Cash and cash equivalents - restricted	**137,047**	141,556
Totals	**$ 222,599**	$ 234,816

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, 2017, 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 8 to 26 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 8).

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 45, "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. 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, 2017, and 2016, 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, 2017, and 2016, the Stations have recorded unearned revenue related to these grants and contracts in the amount of $445,836 and $322,151, 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 statement 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, 2017, and 2016. 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, 2017.

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassification

Certain amounts as previously reported in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

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, 2017 is $1.000165. 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, 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

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Studio and broadcast equipment	$ 4,219,038	$ 39,275	$ -	$ 4,258,313
Production equipment	2,078,573	109,715	-	2,188,288
Vehicles	53,199	-	-	53,199
Office machines	10,335	-	-	10,335
Transmission, antenna, & tower	4,696,325	113,402	-	4,809,727
Equipment not placed in service	-	115,472	-	115,472
Accumulated depreciation	(8,893,688)	(381,400)	-	(9,275,088)
Total	$ 2,163,782	$ (3,536)	$ -	$ 2,160,246

Note 4: Long Term Liabilities

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

The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due in One Year
OPEB	$ 503,016	$ 42,157	$ -	$ 545,173	$ -
Compensated absences	305,870	34,747	-	340,617	234,764
Long-term debt	24,090	115,473	5,940	133,623	17,146
Net pension liability	725,145	110,789	-	835,934	-
Capital leases	8,209	-	1,953	6,256	2,081
Total	$ 1,566,330	$ 303,166	$ 7,893	$ 1,861,603	$ 253,991

*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 $7,783 as of June 30, 2017. Copiers are carried at a cost of $10,335 less accumulated depreciation of $4,651 as of June 30, 2016.

Note 4: Long Term Liabilities (Continued)

The future minimum lease commitments for capital lease obligations consists of the following at June 30, 2017:

Payable during the year ending June 30,		Principal and Interest
2018	$	4,132
2019		3,729
2020		1,712
2021		1,712
2022		572
Total payments		11,857
Less amount representing interest		(1,379)
Principal balance outstanding	$	10,478

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 1.55%. The outstanding principal balance at June 30, 2017 and 2016 was in the amount of $12,150 and $18,150, 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 1.55%. As of June 30, 2017, the amount KUSM has drawn on the loan is in the amount of $300,000. The outstanding principal balance at June 30, 2017 and 2016 was in the amount of $288,855 and $115,473, respectively.

Schedule of cash requirements at June 30, 2017 are summarized as follows:

Long-term Debt		Principal		Interest
2018	$	50,678	$	4,002
2019		74,017		5,032
2020		69,383		3,473
2021		70,906		1,951
2022		36,021		394
Total	$	301,005	$	14,852

Note 5: Operating Leases

LESSEE OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2017, and 2016 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,		
2018	$	113,100
2019		113,100
2020		113,100
2021		113,100
2022		28,275
Total	$	480,675

Rental Activity, including amortization of prepaid rent, for the years ended June 30, 2017 and 2016 is for the Satellite transponder lease in the amount of $123,720 and $155,580.

LESSOR OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2017 and 2016 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,		
2018	$	57,219
2019		58,809
2020		60,440
2021		62,116
2022		63,843
Total	$	302,427

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:

	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

	2016		
	TRS	PERS	Total
Net Pension Liability	$ 63,335	$ 772,599	$ 835,934
Deferred Outflows of Resources	70,411	65,450	135,861
Deferred Inflows of Resources	3,546	62,381	65,927
Pension Expense (including state share paid on behalf of the Station).	17,330	95,753	113,083

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, 2017 were equal to the required contributions for the year:

	Defined Benefit		Defined Contribution
	PERS	TRS	MUS-RP
KUSM TV	$ 38,667	$ 34,626	$ 49,587
KUFM TV	$ 29,478	$ -	$ -

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:

	2017	2016	Percent of Collective NPL at June 30, 2017	Percent of Collective NPL at June 30, 2016	Increase (Decrease) in Percent of Collective NPL
Station's Proportionate Share	$ 55,265	$ 63,335	- %	- %	- %
State of Montana Proportionate Share associated with MontanaPBS	20,698	24,672	-	-	-
Total	$ 75,963	$ 88,007	- %	- %	- %

The NPL was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2015, through June 30, 2016, 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,

	2017	2016
Station expense	$ 58,638	$ 17,019
State of Montana Proportionate Share associated with MontanaPBS	1,600	311
Total	$ 60,238	$ 17,330

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:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 295	$ 117	$ 668	$ -
Changes in actuarial assumptions	352	348	896	145
Difference between projected and actual investment earnings	3,559	-	-	3,401
Changes in proportion differences between employer contributions and proportionate share of contributions	32,620	-	34,052	-
Contributions paid to TRS subsequent to the measurement date	-	-	34,795	-
Total	$ 36,826	$ 465	$ 70,411	$ 3,546

*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	$ 18,005
2019	10,330
2020	5,926
2021	1,277

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, 2016, is based on the results of an actuarial valuation date of July 1, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2016 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 2014, 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, 2016, 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	$ 74,151	$ 55,265	$ 39,366

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,

	2017	2016	Percent of Collective NPL at June 30, 2017	Percent of Collective NPL at June 30, 2016	Increase (Decrease) in Percent of Collective NPL
State of Montana Proportionate Share associated with MontanaPBS	$ 1,121,041	$ 772,599	- %	- %	- %
Total	$ 1,121,041	$ 772,599	- %	- %	- %

Pension Plans (Continued)

The NPL was measured as of June 30, 2016, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2015. The Station's proportion of the NPL was based on the Station's contributions received by PERS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERS' participating employers.

PERS Changes

There were no changes in assumptions, other inputs, or benefit terms since the previous measurement date. Between the measurement date of the collective Net Pension Liability and the Station's reporting date, there were no changes that affected the station's proportionate share of the collective Net Pension Liability. Between measurement dates, 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 such unique circumstances.

PERS Pension Expense

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

	2017	2016
Station expense	$ 288,436	$ 75,551
State of Montana Proportionate Share associated with MontanaPBS	17,484	20,202
Total	$ 305,920	$ 95,753

PERS Deferred Inflows and Outflows

At June 30, 2017, the Station share of deferred outflows of resources and deferred inflows of resources related to PERS was as follows:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,972	$ 2,609	$ -	$ 5,093
Difference between projected and actual investment earnings	108,838	-	-	53,390
Changes in proportion differences between employer contributions and proportionate share of contributions	11,608	7,136	10,040	3,898
Contributions paid to PERS subsequent to the measurement date	33,377	-	55,410	-
Total	$ 156,795	$ 9,745	$ 65,450	$ 62,381

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	$ (9,899)
2019	(9,899)
2020	16,646
2021	11,410

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 8.37% of members' compensation.
- Local government entities are required to contribution 8.27% of members' compensation.
- School district employers contributed 8.00% 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, 2016, is based on the results of an actuarial valuation date of June 30, 2015, with update procedures to roll forward the Total Pension Liability to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

• General Wage Growth*	4.00%
*includes Inflation at	3.00%
• Merit Increases	0% to 6%
• Investment Return	7.75%
• Administration expense as a % of payroll	0.27%

- 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 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

PERS Discount Rate
The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

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			3.00 %
Expected Return Expectation			7.36 %

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 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS target asset allocation as of June 30, 2016, 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 (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Station's Proportionate Share	$ 1,678,430	$ 1,121,041	$ 646,131

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.

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.

The plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The most recent actuarial determination was based on plan information as of July 1, 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 fiscal year ended June 30, 2017, 2016 and 2015, the station's annual OPEB cost (expense) of $-, $44,557, and $50,562, respectively, which was equal to the ARC.

During the years ended June 30, 2017, 2016 and 2015, the University contributed $47,749,840, $39,518,632, and $38,746,697, respectively, which was calculated based on a contribution rate per actively employed participants, whose annual covered payroll totaled $207,301,264 as of the last actuarial valuation. Included within this amount, the University is deemed to have contributed $1,820,866, $1,314,823, and $1,716,218, for retirees or their dependents during 2017, 2016, and 2015, respectively.

Note 7: Other Postemployment Benefits (Continued)

As of the latest actuarial evaluation, the accrued liability for retiree health benefits was $54,239,400 all of which was unfunded. The percentage of annual OPEB cost contributed to the plan was 34%, 24% and 31% for 2017, 2016 and 2015, respectively. The funded status of the plan as of June 30 was 0% for each of the previous three years.

The Station's OPEB obligation were computed as follows:

Years Ended June 30,	2017	2016	2015
Annual required contribution	$ 50,305	$ 50,298	$ 50,562
Interest on net OPEB obligation	25,829	23,767	22,119
Amortization of net OPEB obligation	(20,259)	(18,641)	(17,345)
Annual OPEB cost	55,875	55,424	55,336
Contributions made	(18,650)	(13,267)	(17,340)
Increase to net OPEB obligation	37,225	42,157	37,996
Net OPEB obligation - Beginning of year	545,173	503,016	465,020
Total	$ 582,398	$ 545,173	$ 503,016

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

<u>Federal Interest Period</u> - 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, 2017 and 2016, 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 year ended June 30, 2017 and 2016:

	2017	2016
University indirect administrative support and occupancy	$ 1,063,966	$ 911,000
In-kind services provided by program sponsors	43,167	52,659
Total	$ 1,107,133	$ 963,659

Note 11: New Accounting Pronouncements Not Yet Implemented

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. These statements establish new accounting and financial reporting requirements for governments whose employees are provided with OPEB (other postemployment benefits), 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 will require the Stations to record its postretirement health care liability in its entirety. The Stations expects that the amount recorded on the balance sheet as a postretirement health care liability will increase when Statement No. 75 is implemented, but the amount cannot be calculated until a new actuarial valuation is performed under the new standards. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017, which is the Stations' fiscal year ending June 30, 2018.

Note 12: Subsequent Events

The Management has evaluated subsequent events through January 3, 2018, 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
2015	0.00%	$ 60,488	$ 46,093	131.23%	70.36%
2016	0.00%	63,335	43,331	146.17%	69.30%
2017	0.00%	$ 55,265	$ 30,807	179.39%	66.69%

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
2015	$ 32,735	$ 32,735	$ -	$ 46,093	71.02%
2016	$ 34,795	$ 34,795	$ -	$ 43,331	80.30%
2017	$ 34,626	$ 34,626	$ -	$ 30,807	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
2015	0.00%	$ 664,657	$ 585,872	113.45%	79.90%
2016	0.00%	$ 772,599	$ 639,347	120.84%	78.40%
2017	0.00%	$ 1,121,041	$ 741,124	151.26%	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
2015	$ 54,779	$ 54,779	$ -	$ 585,872	9.35%
2016	$ 59,401	$ 59,401	$ -	$ 639,347	9.25%
2017	$ 68,145	$ 68,145	$ -	$ 741,124	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

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	Asset Valuation Method	Inflation	Salary Increase	Investment Rate of Return (Shown Net of Pension Plan Investment Expense, and Including Inflation)
July 1, 2014	Entry age	Level percentage of pay, open	28 years	4-year smoothed market	3.25%	4.00 - 8.51 %	7.75%
July 1, 2015	Entry age	Level percentage of pay, open	26 years	4-year smoothed market	3.25%	4.00 - 8.51 %	7.75%
July 1, 2016	Entry age	Level percentage of pay, open	24 years	4-year smoothed market	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, 2013, rolled forward to 2014	Entry age	Level percentage of pay, open	29.3 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, 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 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 30, 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 %	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.

2015 Legislative Changes:

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.

Revise DC Funding Laws - 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.

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:

	2011	2013	2015
Actuarial accrued liability (AAL)	$ 55,421,239	$ 49,869,358	$ 54,239,400
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	55,421,239	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	207,301,264
UAAL as a percentage of covered payroll	30.14 %	24.80 %	26.16 %

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	2011	2013	2015
Interest/Discount rate	4.25 %	4.25 %	4.25 %
Projected payroll increases	2.50 %	2.50 %	2.50 %
Participant Percentage	55.00 %	55.00 %	50.00 %

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	2017 Total Expenses	2016 Total Expenses
Salaries and benefits	$ 1,038,431	$ 776,862	$ 203,386	$ 2,018,679	$ 519,819	$ 331,634	$ 31,901	$ 2,902,033	$ 2,377,718
Services	23,084	132,796	20,422	176,302	43,183	4,666	-	224,151	144,185
Supplies	153,871	150,211	10,293	314,375	59,995	11,517	-	385,887	333,214
Communications	23,510	51,858	927	76,295	21,285	28,565	-	126,145	90,226
Travel	28,742	74,164	12,017	114,923	26,281	12,354	-	153,558	100,729
Rent	150,101	25,286	370	175,757	28,747	727	-	205,231	192,038
Repair and maintenance	46,589	13,865	3	60,457	35,156	9	-	95,622	56,602
Public broadcasting dues	-	744,817	-	744,817	-	-	-	744,817	696,980
Indirect costs	399,411	217,346	92,653	709,410	189,402	150,791	14,363	1,063,966	1,028,841
Other	20,881	190,803	8,982	220,666	54,915	29,702	-	305,283	108,567
Depreciation and amortization	254,923	121,005	-	375,928	48,768	186	-	424,882	381,400
Total operating expenses	$ 2,139,543	$ 2,499,013	$ 349,053	$ 4,987,609	$ 1,027,551	$ 570,151	$ 46,264	$ 6,631,575	$ 5,510,500

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, 2017

	KUSM	KUFM	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,429,604	$ 266,045	$ 1,695,649
Accounts receivable	55,057	3,022	58,079
Grants receivable	37,584	-	37,584
Prepaid expenses	58,378	35,423	93,801
Total current assets	1,580,623	304,490	1,885,113
CAPITAL ASSETS			
Studio and broadcast equipment	2,818,279	1,234,346	4,052,625
Production equipment	2,188,288	-	2,188,288
Vehicles	75,795	-	75,795
Office machines	17,435	-	17,435
Transmission, antenna, tower	3,997,014	536,554	4,533,568
Equipment not placed in service	216,255	-	216,255
Accumulated depreciation	(7,411,135)	(1,561,636)	(8,972,771)
Total capital assets	1,901,931	209,264	2,111,195
NONCURRENT ASSETS			
Prepaid expenses	3,370	-	3,370
Total noncurrent assets	3,370	-	3,370
Total assets	3,485,924	513,754	3,999,678
DEFERRED OUTFLOWS OF RESOURCES - pension related	100,911	92,710	193,621
	$ 3,586,835	$ 606,464	$ 4,193,299
LIABILITIES AND DEFERRED INFLOWS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	$ 27,793	$ 2,000	$ 29,793
Unearned revenue	496,801	2,545	499,346
Current portion, compensated absences	164,440	56,247	220,687
Current portion, long-term debt	50,678	-	50,678
Current portion, capital lease obligations	3,493	-	3,493
Total current liabilities	743,205	60,792	803,997
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	55,089	73,146	128,235
Long-term debt, net of current portion	250,327	-	250,327
Capital lease, net of current portion	6,985	-	6,985
Net pension liability	606,154	570,152	1,176,306
Net OPEB obligation - health benefits	460,796	121,602	582,398
Total noncurrent liabilities	1,379,351	764,900	2,144,251
Total liabilities	2,122,556	825,692	2,948,248
DEFERRED INFLOWS OF RESOURCES - pension related	2,288	7,922	10,210
NET POSITION			
Invested in capital assets, net of related debt	1,590,448	209,264	1,799,712
Unrestricted	(128,457)	(436,414)	(564,871)
Total net position	1,461,991	(227,150)	1,234,841
	$ 3,586,835	$ 606,464	$ 4,193,299

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, 2017

	KUSM	KUFM	Total
OPERATING REVENUES			
Sales and services	$ 9,542	$ 31,177	$ 40,719
Contract production	164,266	-	164,266
Broadband lease	55,675	-	55,675
Total operating revenues	229,483	31,177	260,660
OPERATING EXPENSES			
Broadcasting	1,713,625	425,918	2,139,543
Programming and production	1,709,010	790,003	2,499,013
Program information and promotion	349,053	-	349,053
Management and general	752,814	274,737	1,027,551
Fundraising and membership development	568,664	1,487	570,151
Solicitation and underwriting	46,264	-	46,264
Total operating expenses	5,139,430	1,492,145	6,631,575
OPERATING INCOME (LOSS)	(4,909,947)	(1,460,968)	(6,370,915)
NONOPERATING REVENUES			
Grants from CPB	1,226,404	-	1,226,404
Grants from state agencies	56,608	-	56,608
Federal grants and contracts	104,064	-	104,064
State and local grants and contracts	-	10,641	10,641
Nongovernmental grants and contracts	10,223	-	10,223
Support from the Montana University System			
Appropriations for operations	986,050	475,643	1,461,693
Donated and indirect	938,734	125,232	1,063,966
Contributions from Friends used for operations	1,229,123	290,917	1,520,040
In-kind contributions	18,217	13,800	32,017
PBS royalties	4,842	1,731	6,573
Production underwriting	136,012	107,319	243,331
Program underwriting	57,409	-	57,409
Other contributions	21,054	-	21,054
Other revenue	13,098	12,125	25,223
Total nonoperating revenues	4,801,838	1,037,408	5,839,246
OTHER REVENUES, EXPENSES, GAINS AND LOSSES			
Interest Expense	(681)	-	(681)
Investment income	3,408	763	4,171
Total other revenues, expenses, gains and losses	2,727	763	3,490
NET CHANGE IN NET POSITION	(105,382)	(422,797)	(528,179)
NET POSITION - Beginning of year	1,567,373	195,647	1,763,020
NET POSITION - End of year	$ 1,461,991	$ (227,150)	$ 1,234,841

See Independent Accountant's Audit Report on Supplementary Information

MontanaPBS
A PUBLIC TELEVISION ENTITY OPERATED BY
THE MONTANA UNIVERSITY SYSTEM
COMBINING SCHEDULE OF CASH FLOWS
for the year ended June 30, 2017

	KUSM	KUFM	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales and services of educational activities	$ 217,036	$ 31,177	$ 248,213
Compensation and benefits	(1,953,616)	(682,938)	(2,636,554)
Other operating expenses	(1,866,037)	(314,791)	(2,180,828)
Net cash from operating activities	(3,602,617)	(966,552)	(4,569,169)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from Friends of MontanaPBS	1,236,148	290,916	1,527,064
Production underwriting	148,932	-	148,932
State appropriations	986,050	475,644	1,461,694
Grants and contracts	1,482,691	93,082	1,575,773
Other receipts	96,402	25,006	121,408
Net cash from noncapital financing activities	3,950,223	884,648	4,834,871
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(405,584)	(7,799)	(413,383)
Proceed received from issuance of debt	191,628	-	191,628
Principal and interest paid on long-term debt	(20,704)	-	(20,704)
Net cash from capital and related financing activities	(234,660)	(7,799)	(242,459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	3,408	763	4,171
NET CHANGE IN CASH AND CASH EQUIVALENTS	116,354	(88,940)	27,414
CASH AND CASH EQUIVALENTS - Beginning of year	1,313,250	354,985	1,668,235
CASH AND CASH EQUIVALENTS - End of year	$ 1,429,604	$ 266,045	$ 1,695,649
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	$ (4,909,947)	$ (1,460,968)	$ (6,370,915)
Adjustments to reconcile change in net position to net cash from operating activities			
Depreciation and amortization	238,899	185,983	424,882
Non-cash operating expenses paid directly by the University	938,734	125,232	1,063,966
In-kind non-cash operating expenses	18,217	13,800	32,017
Net loss on disposal of fixed assets	-	37,552	37,552
Net pension liability and related deferred inflows and outflows	79,771	147,847	227,618
(Increase) decrease in assets			
Accounts receivable	(13,413)	-	(13,413)
Prepaid expenses	13,238	(35,424)	(22,186)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	2,817	2,000	4,817
Compensated absences	160	8,142	8,302
Unearned revenue	965	-	965
Net OPEB obligation - health benefits	27,942	9,284	37,226
Net cash flows from operating activities	$ (3,602,617)	$ (966,552)	$ (4,569,169)

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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.	2017 Total	2016 Total
SUPPORT AND REVENUES					
Total support and revenues per statement of revenue, expenses, and changes in net position					
Operating revenues	$ 229,483	$ 31,177	$ -	$ 260,660	$ 372,882
Nonoperating revenues	4,801,838	1,037,408	2,179,173	8,018,419	6,907,572
Other revenues	3,408	763	44,421	48,592	6,088
Subtotal per CPB report Schedule F	5,034,729	1,069,348	2,223,594	8,327,671	7,286,542
Less					
Federal support	111,120	-	-	111,120	440
Public broadcasting support	1,239,503	-	-	1,239,503	1,061,626
Friends revenue presented discretely	-	-	1,621,365	1,621,365	1,381,191
In-kind revenue (not NFFS)	10,417	-	-	10,417	3,875
Capital grants and contributions	-	-	-	-	-
Miscellaneous other items	197,348	31,177	248,012	476,537	120,552
Subtotal	1,558,388	31,177	1,869,377	3,458,942	2,567,684
Non-Federal financial support per CPB report summary, Line 5	$ 3,476,341	$ 1,038,171	$ 354,217	$ 4,868,729	$ 4,718,858
EXPENSES					
Total expenses per statement of revenues, expenses, and changes in net position	$ 5,140,111	$ 1,492,145	$ 2,158,269	$ 8,790,525	$ 7,312,947
Less contributions from Friends of Montana PBS to Montana PBS/ KUSM TV/KUFM TV	-	-	1,621,365	1,621,365	1,381,191
OPERATING EXPENSES PER CPB Report Summary, Schedule E, Line 8	$ 5,140,111	$ 1,492,145	$ 536,904	$ 7,169,160	$ 5,931,756

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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, 2017

	KUSM	KUFM	Friends of MontanaPBS	Eliminations	Total	Schedule F AFR	Difference
OPERATING REVENUES							
Sales and services	$ 9,542	$ 31,177	$ -	$ -	$ 40,719		
Contract production	164,266	-	-	-	164,266		
Broadband lease	55,675	-	-	-	55,675		
Total operating revenues	229,483	31,177	-	-	260,660	260,660	-
OPERATING EXPENSES							
Broadcasting	1,713,625	425,918	-	-	2,139,543		
Programming and production	1,709,010	790,003	-	-	2,499,013		
Program information and promotion	349,053	-	-	-	349,053		
Management and general	752,814	274,737	-	-	1,027,551		
Fundraising and membership development	568,664	1,497	-	-	570,161		
Solicitation and underwriting	46,264	-	-	-	46,264		
Friends of MontanaPBS payments to stations	-	-	1,621,365	(1,621,365)	-		
Friends of Montana PBS other expenses	-	-	536,904	-	536,904		
Total operating expenses	5,139,430	1,492,155	2,158,269	(1,621,365)	7,168,489		
OPERATING INCOME (LOSS)	(4,909,947)	(1,460,978)	(2,158,269)	1,621,365	(6,907,829)		
NONOPERATING REVENUES							
Grants from CPB	1,226,404	-	-	-	1,226,404		
Grants from state agencies	51,252	-	-	-	51,252		
Federal grants and contracts	109,420	-	-	-	109,420		
State and local grants and contracts	-	10,641	-	-	10,641		
Nongovernmental grants and contracts	10,223	-	-	-	10,223		
Support from the Montana University System							
Appropriations for operations	986,050	475,643	-	-	1,461,693		
Donated and indirect	938,734	125,232	-	-	1,063,966		
Contributions from Friends used for operations	1,229,123	290,917	-	-	1,520,040		
In-kind contributions	18,217	13,800	-	-	32,017		
PBS royalties	4,842	1,731	-	-	6,573		
Production underwriting	136,012	107,319	-	-	243,331		
Program underwriting	57,409	-	-	-	57,409		
Other contributions	21,054	-	-	-	21,054		
Other operating revenue	13,098	12,125	-	-	25,223		
Friends of MontanaPBS revenue excluding gains	-	-	2,179,173	(1,621,365)	557,808		
Friends of MontanaPBS revenue gains	-	-	44,421	-	44,421		
Total nonoperating revenues	4,801,838	1,037,408	2,223,594	(1,621,365)	6,441,475	6,441,475	-
OTHER REVENUES, EXPENSES, GAINS AND LOSSES							
Interest expense	(681)	-	-	-	(681)		
Investment income	3,408	763	-	-	4,171		
Total other revenues, expenses, gains and losses	2,727	763	-	-	3,490	4,171	(681)
NET CHANGE IN NET POSITION	(105,382)	(422,807)	65,325	-	(462,864)		
NET POSITION - Beginning of year	1,567,373	195,647	1,266,971	(1,266,971)	1,763,020		
NET POSITION - End of year	$ 1,461,991	$ (227,160)	$ 1,332,296	$ (1,266,971)	$ 1,300,156		

Total Revenues Per AFR line E	$ 6,706,306
Total Revenues Per Financial Statements	$ 6,706,306

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