

MontanaPBS
**A Public Television Entity Operated
By The Montana University System**

Financial Statements and Supplementary Information

Years ended June 30, 2016 and 2015



WIPFLI^{LLP}
CPAs and Consultants

MONTANAPBS
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE MONTANA UNIVERSITY SYSTEM
Management's Discussion and Analysis
June 30, 2016 and 2015

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, 2016 and 2015. 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, 2016, 2015, and 2014 and should be read in conjunction with the fiscal year 2016 financial statements and supplemental notes.

FINANCIAL HIGHLIGHTS AND ANALYSIS

As compared with June 30, 2015, the Station saw its overall financial position decline slightly by \$63,640 in FY16, 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, to replace outdated equipment used for station operations. \$115,473 was drawn on the loan with a remaining commitment in the amount of \$184,527. See Note 5 for a summary of changes in noncurrent liabilities for the year ended June 30, 2016.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

In FY15, the Station saw its overall financial position decline by \$898,474. The decline resulted from implementation of Statement of Governmental Accounting Standard Number 68, *Accounting and Financial Reporting for Pensions*. In past years, pension expense was recorded based on the level of contributions made into retirement plans, and was shown in the Compensation and Benefits line in the accompanying financial statements. In 2015, pension expense is reported separately and is based on changes in the net pension liability and related deferred inflows and outflows, rather than based on contributions made.

This adjustment of \$898,474 was offset by a current year contribution to position of \$58,617. Several items contributed to this change, including an increase in donations from the Friends of MontanaPBS, as well as recording of deferred outflows in accordance with GASB 68.

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:

	2016	2015	2014
ASSETS			
Total current assets	\$ 1,774,238	\$ 1,661,244	\$ 1,204,616
Capital assets, net	2,160,246	2,163,782	2,605,617
Total other non-current assets	16,300	9,909	8,426
Total Assets	3,950,784	3,834,935	3,818,659
DEFERRED OUTFLOWS	135,861	113,165	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 4,086,645	\$ 3,948,100	\$ 3,818,659
LIABILITIES			
Total current liabilities	\$ 650,086	\$ 557,055	\$ 482,710
Total non-current liabilities	1,607,612	1,383,280	610,815
Total Liabilities	2,257,698	1,940,335	1,093,525
DEFERRED INFLOWS	65,927	181,105	-
NET POSITION			
Invested in capital assets, net of related debt	2,020,367	2,131,483	2,564,978
Unrestricted	(257,347)	(304,823)	160,156
Total Net Position	1,763,020	1,826,660	2,725,134
Total Liabilities and Net Position	\$ 4,086,645	\$ 3,948,100	\$ 3,818,659

Events or developments which occurred during 2016 include:

- 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.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- 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. See Note 7 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 \$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.

Events or developments which occurred during 2015 include:

- Current assets increased by \$456,628, due for the most part to an increase in cash and cash equivalents of \$475,633, offset by a decline in accounts receivable of \$16,080. The increase in cash and cash equivalents can be attributed primarily to an overall decline in cash expenditures in FY15.
- Capital assets declined by \$441,835 in FY15, primarily because additions to capital assets of \$64,450 were more than offset by an increase in accumulated depreciation of \$506,285.
- Total liabilities increased by \$846,810 in FY15 due primarily to increases in net pension liabilities. The increase in net pension liability of \$725,145 is the increase in the pension obligation calculated in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*. The Stations pension amounts are reported on the Statement of Net Position as net pension liabilities as well as related deferred outflows and deferred inflows. The increase in the postemployment benefits (OPEB) liability (\$37,996) is the increase in the OPEB obligation calculated in accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- The decrease in net position of \$433,495 in FY15 is due primarily to a \$441,835 decrease in invested in capital assets, net of related debt. This decrease was largely because capital asset acquisitions of \$64,450 were exceeded by depreciation and amortization expense of \$506,285. The FY15 beginning net position was restated to record the other postemployment benefit liability for pensions. The total of this restatement was a decrease in reported beginning net position of \$839,857.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present the revenues earned and the expenses incurred during the year on a full accrual basis. In accordance with GASB, revenues and expenses are classified as either operating or non-operating. Operating revenues and expenses are the inflows or uses of funds related directly to fulfilling the entity's purpose (i.e. providing public television services).

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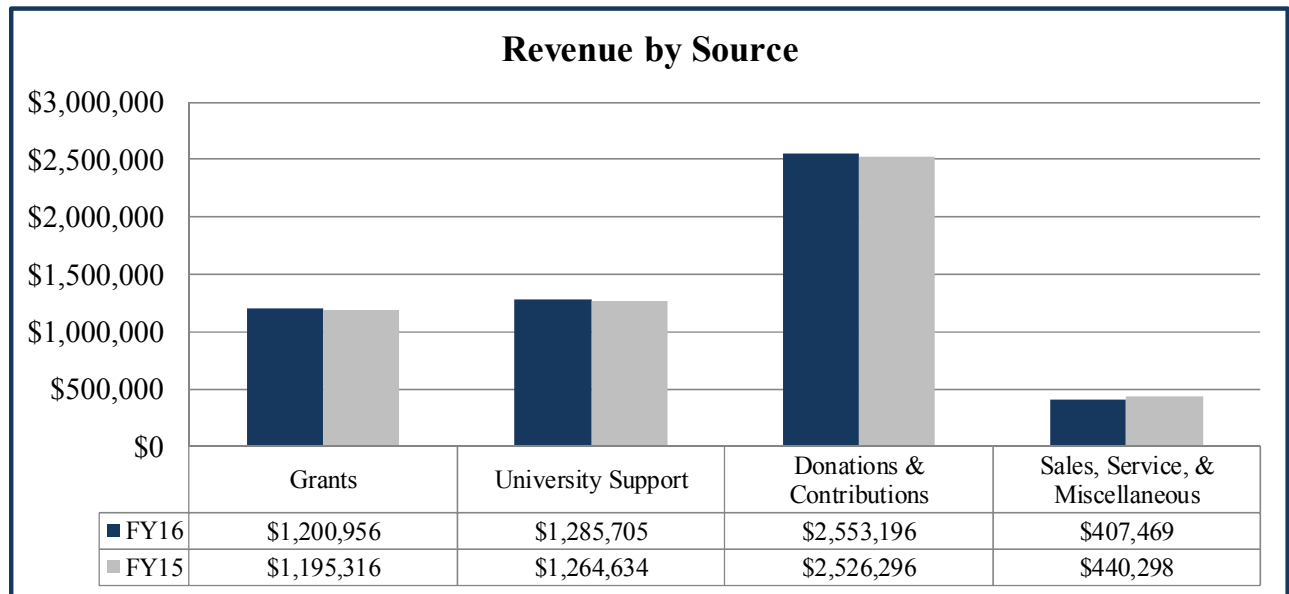
FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

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:

	2016	2015	2014
Operating revenue	\$ 372,882	\$ 396,089	\$ 452,798
Operating expenses	5,510,500	5,484,570	5,934,641
Operating loss	(5,137,618)	(5,088,481)	(5,481,843)
Non-operating revenues	5,068,356	5,028,236	4,659,281
Capital contributions and other items	5,622	1,628	77,590
Net increase (decrease) in net position	(63,640)	(58,617)	(744,972)
Net position, beginning of year, as previously reported	1,826,660	2,725,134	3,470,106
Net position, prior period adjustment	-	(839,857)	-
Net position, end of year	\$ 1,763,020	\$ 1,826,660	\$ 2,725,134

The following chart provides a graphical representation of revenues by source for fiscal years 2016 and 2015:



Events or developments which occurred during 2016 include:

- Operating revenues decreased in FY16 by \$23,207, or by 5.9%, due largely to an \$11,704 decrease in sales and service revenue. Contract production revenue also decreased in the amount of \$12,963.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

- Operating expenses increased \$25,930 in FY16, or by less than 1.0%. Increases of operating expenses in programming and production (\$43,056), program information and promotion (\$81,816), and fundraising and membership development (\$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 (\$17,786), state and local grants and contracts (\$26,548), other contributions (\$38,601), and other revenue (\$16,584).
- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

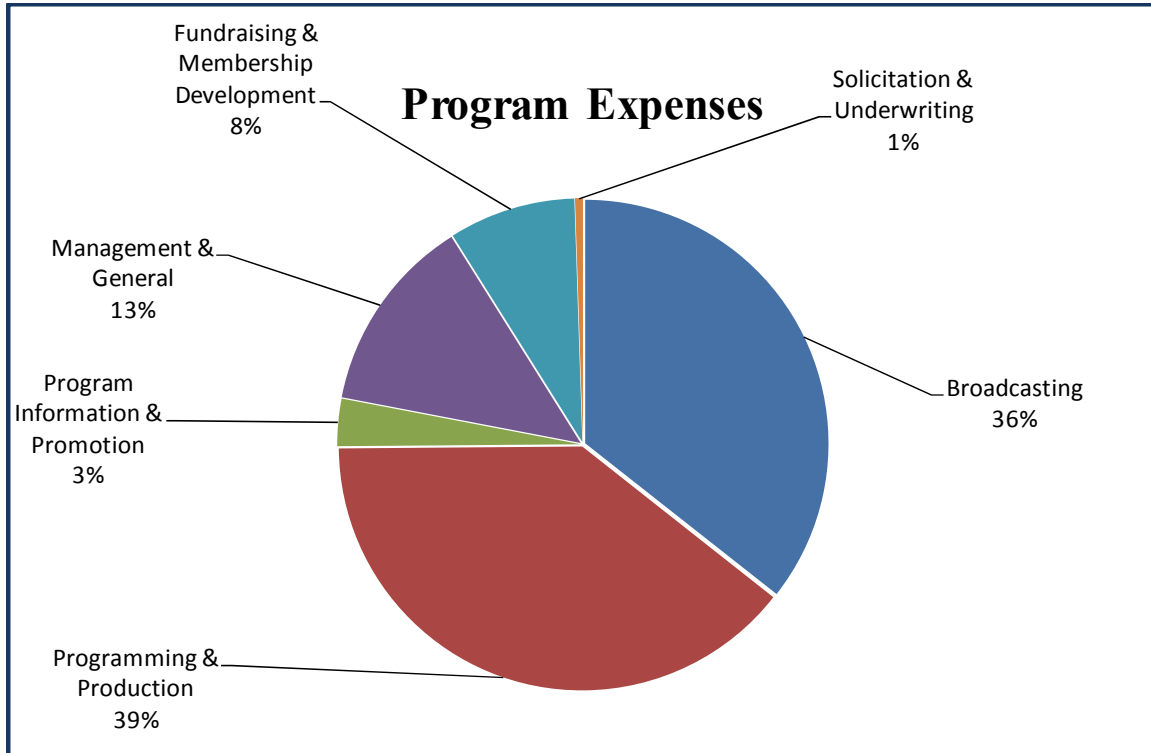
Events or developments which occurred during 2015 include:

- Operating revenues decreased in FY15 by \$56,709 due largely to a \$36,715 decrease in sales and service revenue. Contract production revenue also decreased in the amount of \$21,134. Smaller decreases to other revenue classifications account for the remaining decrease in operating revenues.
- The decrease in operating expenses of \$450,071 is due largely to decreases in depreciation and station supplies which includes minor equipment of \$219,547 and \$112,590, respectively. Other increases and decreases also contributed to the change.
- Non-operating revenue increased in total in FY15 by \$293,301, primarily because of an increase in contributions from Friends of MontanaPBS of \$196,563. The resulting increase was due to an increase in appropriations for operations from the Montana University System of \$69,710 and other contributions of \$99,107.
- For additional analysis, the notes to the financial statements also present operating expenses in functional groups. Functional expenses include salaries and benefits, services and supplies, repairs and maintenance, rent, public broadcasting dues and other occupancy costs as well as depreciation and amortization.

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

The following chart provides a graphical representation of each program expense as a percentage of total operating expenses for fiscal year 2016:



Statement of Cash Flows

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

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

	2016	2015	2014
CASH PROVIDED BY (USED IN)			
Operating activities	\$(3,762,045)	\$(3,673,350)	\$(3,632,355)
Noncapital financing activities	4,049,732	4,220,145	3,867,421
Capital and related financing activities	(195,750)	(73,381)	19,056
Investing activities	6,088	2,219	5,922
Net change in cash and cash equivalents	98,025	475,633	260,044
Cash and cash equivalents – beginning of year	1,570,210	1,094,577	834,533
Cash and cash equivalents – end of year	<u>\$ 1,668,235</u>	<u>\$ 1,570,210</u>	<u>\$ 1,094,577</u>

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FINANCIAL HIGHLIGHTS AND ANALYSIS (continued)

Events or developments which occurred during 2016 include:

- Cash used in operating activities totaled \$3,762,045, which was slightly higher by \$88,695, compared to the prior year. The operating loss on an accrual basis of \$5,137,618 is adjusted for noncash operating activities including: depreciation expense of \$384,287; 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 \$4,049,732, was primarily from contributions from Friends of MontanaPBS of \$1,300,779, state appropriations of \$1,264,634, 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 (\$71,733), production underwriting (\$46,573), and other receipts (\$144,378).
- 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.

Events or developments which occurred during 2015 include:

- Cash used in operating activities totaled \$3,673,350, which was comparable to the prior year. The operating loss on an accrual basis of \$5,088,481 is adjusted for noncash operating activities including: depreciation expense of \$506,285; indirect university support of \$890,609; and net decrease in the OPEB liability of \$76,716.
- In FY15, cash provided from noncapital financing activities, which totaled \$4,220,145, was primarily from contributions from Friends of MontanaPBS of \$1,229,539, state appropriations of \$1,264,634 and grants and contracts of \$1,328,592. The total amount of cash provided from noncapital financing activities was slightly higher than in the prior year.
- Cash flows from capital and related financing activities amounted to a decrease in funds of \$73,381. The net decrease in cash was primarily due to funds used to purchase \$70,359 of capital assets. Net cash used in capital and related financing activities declined by \$92,437 compared to FY14.

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 healthy rate. However, management expects new membership activity to grow more slowly over the next four year period as service-area expansion stabilizes. New growth will have to come from utilizing better practices, not an expanded audience. The station remains focused on building major and planned giving programs, growing endowment income, and following best practices in public media fundraising.

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ECONOMIC OUTLOOK (continued)

- The slowly recovering economy has resulted in a better non-profit climate overall, which is contributing to station development growth. If this trend continues, management expects that maintaining current growth rates over the next few years should be possible.
- The financial health of the stations can be affected by the overall health of their licensees. Currently, the University of Montana is grappling with enrollment related budget challenges and a change in administration. Cuts in university budgets have impacted operating support for the station and have the potential for additional negative impacts. Additionally, the State of Montana is facing reduced revenue collections which may negatively impact higher education funding and subsequently, MontanaPBS.
- 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.
- The Broadcast Spectrum Auction and subsequent repack remain a concern. Montana markets are not valued in the auction but will be impacted by the repack. In particular, a number of MontanaPBS translators may be displaced with no auction funding source for adapting to those changes.



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, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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, 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, 2016 and 2015, 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 56-61 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

December 23, 2016
Missoula, Montana

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

ASSETS	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,668,235	\$ 1,570,210
Accounts receivable	47,317	32,320
Prepaid expenses	58,686	58,714
Total current assets	<u>1,774,238</u>	<u>1,661,244</u>
 CAPITAL ASSETS, Net of accumulated depreciation - Note 4	 <u>2,160,246</u>	 <u>2,163,782</u>
NONCURRENT ASSETS		
Prepaid expenses	16,300	9,909
Total noncurrent assets	<u>16,300</u>	<u>9,909</u>
Total assets	<u>3,950,784</u>	<u>3,834,935</u>
 DEFERRED OUTFLOWS OF RESOURCES - pension related	 <u>135,861</u>	 <u>113,165</u>
	<u>\$ 4,086,645</u>	<u>\$ 3,948,100</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,976	\$ 40,087
Unearned revenue	371,119	333,918
Current portion, compensated absences	234,764	175,157
Current portion, long-term debt	17,146	5,940
Current portion, capital lease obligations	2,081	1,953
Total current liabilities	<u>650,086</u>	<u>557,055</u>
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	105,853	130,713
Long-term debt, net of current portion	116,477	18,150
Capital lease, net of current portion	4,175	6,256
Net pension liability	835,934	725,145
Net OPEB obligation - health benefits	545,173	503,016
Total noncurrent liabilities	<u>1,607,612</u>	<u>1,383,280</u>
Total liabilities	<u>2,257,698</u>	<u>1,940,335</u>
 DEFERRED INFLOWS OF RESOURCES - pension related	 <u>65,927</u>	 <u>181,105</u>
NET POSITION		
Invested in capital assets, net of related debt	2,020,367	2,131,483
Unrestricted	(257,347)	(304,823)
Total net position	<u>1,763,020</u>	<u>1,826,660</u>
	<u>\$ 4,086,645</u>	<u>\$ 3,948,100</u>

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

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 93,260	\$ 98,181
Restricted cash	141,556	109,324
Investments - restricted	1,039,999	1,036,203
Prepaid expense	5,719	6,256
Premium inventory	10,433	8,641
Total assets	\$ 1,290,967	\$ 1,258,605
 LIABILITIES		
Accounts payable	\$ 3,725	\$ 4,933
Due to affiliate	20,271	23,936
Total liabilities	23,996	28,869
 NET ASSETS		
Unrestricted	87,338	84,209
Temporarily restricted	1,179,633	1,145,527
Total net assets	1,266,971	1,229,736
Total liabilities and net assets	\$ 1,290,967	\$ 1,258,605

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

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Sales and services	\$ 35,725	\$ 47,429
Contract production	132,991	145,954
Broadband lease	54,166	52,706
State support - transponder lease	150,000	150,000
Total operating revenues	<u>372,882</u>	<u>396,089</u>
OPERATING EXPENSES		
Broadcasting	1,962,109	1,919,053
Programming and production	2,163,491	2,081,675
Program information and promotion	172,052	178,386
Management and general	720,260	834,636
Fundraising and membership development	463,478	435,672
Solicitation and underwriting	29,110	35,148
Total operating expenses	<u>5,510,500</u>	<u>5,484,570</u>
OPERATING LOSS	<u>(5,137,618)</u>	<u>(5,088,481)</u>
NONOPERATING REVENUES		
Grants from CPB	1,038,492	1,016,684
Grants from state agencies	50,760	51,292
Grants from public broadcasting entities	10,000	11,000
State and local grants and contracts	86,892	113,440
Nongovernmental grants and contracts	14,812	2,900
Support from the Montana University System		
Appropriations for operations	1,285,705	1,264,634
Donated and indirect	911,000	890,609
Contributions from Friends used for operations	1,297,849	1,227,452
In-kind underwriting contributions	52,659	58,198
PBS royalties	8,245	5,152
Production underwriting	142,047	144,009
Program underwriting	64,805	82,591
Other contributions	84,836	123,437
Other revenue	20,254	36,838
Total nonoperating revenues	<u>5,068,356</u>	<u>5,028,236</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
Interest Expense	(466)	(591)
Investment income, net	6,088	2,219
Total other revenues, expenses, gains and losses	<u>5,622</u>	<u>1,628</u>
CHANGE IN NET POSITION	<u>(63,640)</u>	<u>(58,617)</u>
NET POSITION - Beginning of year, as previously reported	1,826,660	2,725,134
NET POSITION - Beginning net position restatement	<u>-</u>	<u>(839,857)</u>
NET POSITION - End of year	<u>\$ 1,763,020</u>	<u>\$ 1,826,660</u>

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	<u>1,805,110</u>	<u>34,106</u>	<u>1,839,216</u>
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	<u>1,381,191</u>	<u>-</u>	<u>1,381,191</u>
Other program services:			
Program guide costs	74,377	-	74,377
Total program services	<u>74,377</u>	<u>-</u>	<u>74,377</u>
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	<u>311,805</u>	<u>-</u>	<u>311,805</u>
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	<u>34,608</u>	<u>-</u>	<u>34,608</u>
Total expenses	<u>1,801,981</u>	<u>-</u>	<u>1,801,981</u>
Change in Net Assets	3,129	34,106	37,235
Net assets at beginning of year	<u>84,209</u>	<u>1,145,527</u>	<u>1,229,736</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 87,338</u></u>	<u><u>\$ 1,179,633</u></u>	<u><u>\$ 1,266,971</u></u>

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, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Donations - unrestricted	\$ 694,052	\$ -	\$ 694,052
Donations - restricted	-	195,153	195,153
Membership dues	831,185	-	831,185
Interest and dividend income	58	14,881	14,939
Realized gain on investment	-	934	934
Unrealized loss on investment	-	(4,447)	(4,447)
Satisfaction of program requirements	177,001	(177,001)	-
Total support	<u>1,702,296</u>	<u>29,520</u>	<u>1,731,816</u>
EXPENSES			
Program Services: Payments to affiliates:			
KUSM Television per contract	909,695	-	909,695
KUFM Television per contract	227,425	-	227,425
KUSM Television programming support	93,400	-	93,400
KUFM Television programming support	46,762	-	46,762
Additional support for operations	25,000	-	25,000
Equipment - minor	1,900	-	1,900
Advisory services	4,682	-	4,682
Total payments to affiliates	<u>1,308,864</u>	<u>-</u>	<u>1,308,864</u>
Other program services:			
Program guide costs	69,664	-	69,664
Total program services	<u>69,664</u>	<u>-</u>	<u>69,664</u>
Fundraising:			
Credit card and bank fees	28,464	-	28,464
Governmental affairs	1,776	-	1,776
Pledge drive premiums and support	156,692	-	156,692
Postage and direct mail preparation	97,867	-	97,867
Promotion and promotional premiums	807	-	807
Promotion and promotional premiums	5,462	-	5,462
Total fundraising	<u>291,068</u>	<u>-</u>	<u>291,068</u>
Management and administrative:			
Accounting and bookkeeping services	14,479	-	14,479
Contracted services	550	-	550
Insurance	1,817	-	1,817
Miscellaneous	1,813	-	1,813
Travel and conferences	13,238	-	13,238
Total management and administration	<u>31,897</u>	<u>-</u>	<u>31,897</u>
Total expenses	<u>1,701,493</u>	<u>-</u>	<u>1,701,493</u>
Change in Net Assets	803	29,520	30,323
Net assets at beginning of year	<u>83,406</u>	<u>1,116,007</u>	<u>1,199,413</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 84,209</u></u>	<u><u>\$ 1,145,527</u></u>	<u><u>\$ 1,229,736</u></u>

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales and services of educational activities	\$ 224,812	\$ 230,856
State support - transponder lease	150,000	150,000
Compensation and benefits	(2,346,338)	(2,245,456)
Other operating expenses	(1,790,519)	(1,808,750)
Net cash from operating activities	(3,762,045)	(3,673,350)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Friends of MontanaPBS	1,300,779	1,229,539
Production underwriting	116,387	162,960
State appropriations	1,285,705	1,264,634
Grants and contracts	1,256,819	1,328,592
Other receipts	90,042	234,420
Net cash from noncapital financing activities	4,049,732	4,220,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(302,864)	(70,359)
Proceeds received from the issuance of debt	115,473	-
Principal and interest paid on long-term debt	(8,359)	(3,022)
Net cash from capital and related financing activities	(195,750)	(73,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	6,088	2,219
NET CHANGE IN CASH AND CASH EQUIVALENTS	98,025	475,633
CASH AND CASH EQUIVALENTS - Beginning of year	1,570,210	1,094,577
CASH AND CASH EQUIVALENTS - End of year	\$ 1,668,235	\$ 1,570,210
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (5,137,618)	\$ (5,088,481)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	381,400	506,285
In-kind non-cash operating activities	52,659	58,198
Non-cash indirect university support	911,000	890,609
Net pension liability and related deferred inflows and outflows	(26,846)	(47,010)
(Increase) decrease in assets		
Accounts receivable	(4,621)	(8,107)
Prepaid expenses	(6,363)	(7,026)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(15,110)	11,999
Compensated absences	34,748	(20,687)
Unearned revenue	6,550	(7,126)
Net OPEB obligation - health benefits	42,156	37,996
Net cash flows from operating activities	\$ (3,762,045)	\$ (3,673,350)

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 37,235	\$ 30,323
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized (gain) loss on investment	10,318	4,447
Realized (gain) loss on investment	-	(934)
(Increase) decrease in:		
Prepaid expense	537	3,969
Premium inventory	(1,792)	3,168
Increase (decrease) in:		
Accounts payable	(1,208)	2,142
Due to affiliate	(3,665)	7,089
	41,425	50,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from (purchases of) investments	(14,114)	(657,432)
	(14,114)	(657,432)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,311	(607,228)
CASH AND CASH EQUIVALENTS - Beginning of year	207,505	814,733
CASH AND CASH EQUIVALENTS - End of year	\$ 234,816	\$ 207,505
Cash and cash equivalents - unrestricted	\$ 93,260	\$ 98,181
Cash and cash equivalents - restricted	141,556	109,324
	\$ 234,816	\$ 207,505

See accompanying notes to financial statements

MontanaPBS A Public Television Entity Operated by Montana University System

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 both 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, 2016, 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 9).

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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, 2016, and 2015, 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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 statement 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 accounts 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, 2016, and 2015, the Stations have recorded unearned revenue related to these grants and contracts in the amount of \$371,119 and \$333,918, 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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 statement of activities and changes in fund balance. 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 supports, 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, 2016, and 2015. 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 affect on the financial statements or cash flows. Accordingly, no reserves or related accruals for interest or penalties for uncertain income tax positions have been recorded as of June 30, 2016.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 2: Beginning Net Position Restatement

In June 2012, the Governmental Account Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, to improve accounting and financial reporting for pensions. This Statement is effective for fiscal years beginning after June 15, 2014. The Statement establishes among other things, standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense. This Statement identifies for defined benefit plans, the methods and assumptions that should be used to project benefit payments, to their actuarial present value and attribute the present value to periods of employee service. Additional note disclosure and required supplementary information about pensions are also required by the Statement. The July 1, 2014 balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses and Changes in Net Position as a restatement to the 2015 Net Position, Beginning of Year. The Public Employees Retirement System and Teachers' Retirement System were not able to provide sufficient information to restate the June 30, 2014 financial statements. The effect of the changes from the implementation of GASB 68 was to reduce MontanaPBS's previously stated beginning net position of \$2,725,134 by \$839,857.

Note 3: 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, 2016 is \$1.000207. 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).

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 4: Capital Assets

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 5: Long Term Liabilities

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. During fiscal years 2014, KUSM TV entered into a capital lease agreement for a copier. Under the term of the lease agreements, KUSM TV has the right to purchase the copier at the end of their respective 60-month lease terms.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 5: Long Term Liabilities (Continued)

Schedule of cash requirements at June 30, 2016 are summarized as follows:

Capital Lease Obligation	Principal	Interest
2017	\$ 2,081	\$ 338
2018	2,217	202
2019	1,958	58
Total	\$ 6,256	\$ 598

Long-term Debt. During fiscal year 2014, KUSM TV entered into a debt agreement (InterCap loan) to purchase a vehicle. The note bears interest at a variable rate subject to change every February until maturity in 2019, currently interest is at 1.25%.

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 1.25%. As of June 30, 2016, the amount KUSM has drawn on the loan is in the amount of \$115,473 and the remaining commitment is in the amount of \$184,527.

Schedule of cash requirements at June 30, 2016 are summarized as follows:

Long-term Debt	Principal	Interest
2017	\$ 17,146	\$ 1,628
2018	28,621	1,648
2019	29,003	1,234
2020	23,269	1,147
2021	23,630	464
2022	11,954	93
Total	\$ 133,623	\$ 6,214

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 6: Operating Leases

LESSEE OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2016, and 2015 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 expires September 2016 with monthly payments of \$12,965. The lease was renewed as of October 2016 expiring September 2021 with monthly payments of \$9,425.

Minimum lease commitments over the next five years are as follows:

<i>Years Ended June 30,</i>			
2017	\$	123,720	
2018		113,100	
2019		113,100	
2020		113,400	
2021		113,100	
Total	\$	576,420	

Rental Activity, including amortization of prepaid rent, for the year ended June 30, 2016 is for the Satellite transponder lease in the amount of \$155,580.

LESSOR OPERATING LEASES: MontanaPBS had the following operating leases in effect as of June 30, 2016, and 2015 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 for the next five years:

<i>Years Ended June 30,</i>			
2017	\$	55,675	
2018		57,219	
2019		58,809	
2020		60,440	
2021		62,116	
Total	\$	294,259	

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 7: 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:

	2016		
	TRS	PERS	Total
Net Pension Liability	\$ 63,335	\$ 435,473	\$ 498,808
Deferred Outflows of Resources	68,912	42,963	111,875
Deferred Inflows of Resources	3,535	39,502	43,037
Pension Expense (including state share paid on behalf of the Station).	17,330	59,824	77,154

	2015		
	TRS	PERS	Total
Net Pension Liability	\$ 60,488	\$ 664,657	\$ 725,145
Deferred Outflows of Resources	12,300	59,353	71,653
Deferred Inflows of Resources	33,844	171,736	205,580
Pension Expense (including state share paid on behalf of the Station).	10,162	51,592	61,754

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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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, 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.

The amounts contributed to the plans during the year ended June 30, 2016 were equal to the required contributions for the year:

	Defined Benefit		Defined Contribution	
	PERS	TRS	MUS-RP	
KUSM TV	\$ 33,223	\$ 34,795	\$	49,645
KUFM TV	\$ 26,178	\$ -	\$	-

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.

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Notes to Financial Statements

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 - $1.85\% \times \text{AFC} \times \text{years of creditable service}$ - for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

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:

	2016	2015	Percent of Collective NPL at June 30, 2016	Percent of Collective NPL at June 30, 2015	Increase (Decrease) in Percent of Collective NPL
Station's Proportionate Share State of Montana	\$ 63,335	\$ 60,488	-	-	-
Proportionate Share associated with MontanaPBS	24,672	24,395	-	-	-
Total	\$ 88,007	\$ 84,883	- %	- %	- %

The NPL was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The university's proportion of the net pension liability was based on the university's contributions received by TRS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of TRS' participating employers.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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 University's reporting date that are expected to have a significant effect on the University'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.

- Correctly reflect the proportion of members that are assumed to take a refund of contributions upon termination and appropriately reflect the three year COLA deferral period for Tier 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination (prior to retirement eligibility).
- The actuarial valuation was updated to reflect the assumed rate of retirement for university members at age 60 is 8.50% as stated in the actuarial valuation report.
- The actuarial valuation was updated to reflect the fact that vested terminations are only covered by the \$500 death benefit for the one year following their termination and, once again when the terminated member commences their deferred retirement annuity (they are not covered during the deferral period). Additionally, only the portion of the terminated members that are assumed to "retain membership in the System" are covered by the \$500 death benefit after termination.

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,

	2016	2015
Station expense	\$ 17,019	\$ 8,803
State of Montana Proportionate Share associated with MontanaPBS	311	1,359
Total	\$ 17,330	\$ 10,162

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

TRS Deferred Inflows and Outflows - The Station recognized a beginning deferred outflow of resources as of July 1, 2014, for the Station's 2014 contributions of \$52,078.

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

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 668	\$ -	\$ -	\$ -
Changes in actuarial assumptions	896	134	-	-
Difference between projected and actual investment earnings	-	3,401	-	33,844
Changes in proportion differences between employer contributions and proportionate share of contributions	32,553	-	592	-
Contributions paid to TRS subsequent to the measurement date	34,795	-	11,708	-
Total	\$ 68,912	\$ 3,535	\$ 12,300	\$ 33,844

*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, 2017.

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
2017	\$ 12,648
2018	12,648
2019	4,412
2020	872

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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, 2016, MCA 19-20-605 requires each employer to contribute 11.05% 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, 2015, is based on the results of an actuarial valuation date of July 1, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2014 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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 to TRS payable July 1st of each year. 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 2116. 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 2008 through 2013, is outlined in a report dated May 1, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

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, 2015, 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	\$ 87,017	\$ 63,335	\$ 43,407

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.

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Notes to Financial Statements

Pension Plans (Continued)

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.

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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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;
- 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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

	2016	2015	Percent of Collective NPL at June 30, 2016	Percent of Collective NPL at June 30, 2015	Increase (Decrease) in Percent of Collective NPL
State of Montana Proportionate Share associated with MontanaPBS	\$ 435,473	\$ 664,657	-	-	-
Total	\$ 435,473	\$ 664,657	-	-	-

The NPL was measured as of June 30, 2015, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2014. The University's proportion of the NPL was based on the University's contributions received by PERS during the measurement period July 1, 2014, through June 30, 2015, 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 changes that may affect the station's proportionate share of the collective Net Pension Liability.

PERS Pension Expense

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

	2016	2015
Station expense	\$ 49,373	\$ 33,629
State of Montana Proportionate Share associated with MontanaPBS	10,451	17,963
Total	\$ 59,824	\$ 51,592

PERS Deferred Inflows and Outflows

The Station recognized a beginning deferred outflow of resources as of July 1, 2014, for the Station's 2014 contributions of \$52,078.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

At June 30, 2016, the Station share of deferred outflows of resources and deferred inflows of resources related to PERS was as follows:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 2,635	\$ -	\$ -
Difference between projected and actual investment earnings	-	36,867	-	171,736
Changes in proportion differences between employer contributions and proportionate share of contributions	8,057	-	2,882	-
Contributions paid to PERS subsequent to the measurement date	34,906	-	56,471	-
Total	\$ 42,963	\$ 39,502	\$ 59,353	\$ 171,736

*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, 2017.

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
2017	\$ (13,846)
2018	(13,846)
2019	(14,062)
2020	9,589

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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.
- 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

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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, 2014, is based on the results of an actuarial valuation date of June 30, 2014, with update procedures to roll forward the Total Pension Liability to June 30, 2015. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 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%
- 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%;
 - 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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 2123. 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
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%
	100.00%	

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, 2015, is summarized in the above table.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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	\$ 671,406	\$ 435,473	\$ 236,234

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.

Other Post-Employment Benefits – Health 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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

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 \$646 - \$722 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from \$278 - \$310 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.

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, 2016, 2015 and 2014, the station's annual OPEB cost (expense) of \$44,557, \$50,562, and \$49,961, respectively, which was equal to the ARC.

During the years ended June 30, 2016, 2015 and 2014, the University contributed \$39,518,632, \$38,746,697, and \$35,014,278, 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 \$1,314,823, \$1,716,218, and \$862,890, for retirees or their dependents during 2016, 2015 and 2014, respectively.

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 24%, 31% and 16% for 2016, 2015 and 2014 respectively. The funded status of the plan as of June 30 was 0% for each of the previous three years.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Pension Plans (Continued)

The Station's OPEB obligation were computed as follows:

<i>Years Ended June 30,</i>	2016	2015	2014
Annual required contribution	\$ 50,298	\$ 50,562	\$ 49,961
Interest on net OPEB obligation	23,767	22,119	13,754
Amortization of net OPEB obligation	(18,641)	(17,345)	(9,475)
Annual OPEB cost	55,424	55,336	54,240
Contributions made	(13,267)	(17,340)	(8,475)
Increase to net OPEB obligation	42,157	37,996	45,765
Net OPEB obligation - Beginning of year	503,016	465,020	419,255
Total	\$ 545,173	\$ 503,016	\$ 465,020

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
Participation	-4.5% (Medical and Prescription) in 2022 and beyond 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

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.

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 8: Commitments and Contingencies

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

1. CPB CSG grants.
2. Appropriations from the Montana University System.
3. Contributions from Friends of MontanaPBS, Inc.

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

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

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

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

Note 9: Related Party

During the year ended June 30, 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, 2016:

University indirect administrative support and occupancy	\$	911,000
In-kind services provided by program sponsors		52,659
<hr/>		
Total	\$	963,659

MontanaPBS A Public Television Entity Operated by Montana University System

Notes to Financial Statements

Note 11: Subsequent Events

The Management has evaluated subsequent events through December 23, 2016, 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

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.

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	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	28	4-year smoothed market	3.25%	4.00 - 8.51 %	7.75 %
July 1, 2015	Entry age	Level percentage of pay, open	26 years	26	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

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, 2015	Entry age	Level percentage of pay, open	26 years	4-year smoothed market	3.25 %	4.00 - 8.51 %	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

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

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.

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

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, 2011, 2013, and 2015 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:

<u>Actuarial Valuation Date</u>	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

MontanaPBS A Public Television Entity Operated by the Montana University System

Notes to Required Supplementary Information

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

Year	MontanaPBS's Proportion of the NPL	Montana'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%

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

Schedule of MontanaPBS's Contribution to TRS

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%

*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.

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

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%	\$ 435,473	\$ 377,362	115.40%	78.40%

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

Schedule of MontanaPBS's Contribution to PERS

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	\$ 34,906	\$ 34,906	\$ -	\$ 377,362	9.25%

*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

Supplementary Information

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

	<u>Broadcasting</u>	<u>Programming and Production</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Solicitation and Underwriting</u>	<u>2016 Total Expenses</u>	<u>2015 Total Expenses</u>
Salaries and benefits	\$ 940,287	\$ 651,089	\$ 96,279	\$ 1,687,655	\$ 402,158	\$ 267,985	\$ 19,920	\$ 2,377,718	\$ 2,247,072
Services	8,761	67,305	23,998	100,064	25,379	18,672	70	144,185	244,132
Supplies	119,165	191,955	1,337	312,457	17,984	2,773	-	333,214	219,202
Communications	20,134	29,662	212	50,008	13,948	26,270	-	90,226	277,421
Travel	28,094	42,008	6,104	76,206	16,622	7,616	285	100,729	101,095
Rent	176,648	11,843	-	188,491	3,547	-	-	192,038	36,060
Repair and maintenance	24,444	29,229	-	53,673	2,824	105	-	56,602	49,075
Public broadcasting dues	-	696,980	-	696,980	-	-	-	696,980	697,076
Other	36,766	60,725	-	97,491	11,076	-	-	108,567	216,543
Indirect costs	347,451	287,538	44,122	679,111	200,838	140,057	8,835	1,028,841	890,609
Depreciation and amortization	260,359	95,157	-	355,516	25,884	-	-	381,400	506,285
Total operating expenses	<u>\$ 1,962,109</u>	<u>\$ 2,163,491</u>	<u>\$ 172,052</u>	<u>\$ 4,297,652</u>	<u>\$ 720,260</u>	<u>\$ 463,478</u>	<u>\$ 29,110</u>	<u>\$ 5,510,500</u>	<u>\$ 5,484,570</u>

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, 2016

ASSETS	KUSM	KUFM	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,313,250	\$ 354,985	\$ 1,668,235
Accounts receivable	42,082	5,235	47,317
Prepaid expenses	58,686	-	58,686
Total current assets	<u>1,414,018</u>	<u>360,220</u>	<u>1,774,238</u>
CAPITAL ASSETS			
Studio and broadcast equipment	2,937,455	1,320,858	4,258,313
Production equipment	2,188,288	-	2,188,288
Vehicles	53,199	-	53,199
Office machines	10,335	-	10,335
Transmission, antenna, tower	3,991,978	817,749	4,809,727
Equipment not placed in service	115,472	-	115,472
Accumulated depreciation	(7,561,481)	(1,713,607)	(9,275,088)
Total capital assets	<u>1,735,246</u>	<u>425,000</u>	<u>2,160,246</u>
NONCURRENT ASSETS			
Prepaid expenses	16,300	-	16,300
Total noncurrent assets	<u>16,300</u>	<u>-</u>	<u>16,300</u>
Total assets	<u>3,165,564</u>	<u>785,220</u>	<u>3,950,784</u>
DEFERRED OUTFLOWS OF RESOURCES - pension related			
	<u>113,374</u>	<u>22,487</u>	<u>135,861</u>
	<u>\$ 3,278,938</u>	<u>\$ 807,707</u>	<u>\$ 4,086,645</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 24,976	\$ -	\$ 24,976
Unearned revenue	352,631	18,488	371,119
Current portion, compensated absences	180,699	54,065	234,764
Current portion, long-term debt	17,146	-	17,146
Current portion, capital lease obligations	2,081	-	2,081
Total current liabilities	<u>577,533</u>	<u>72,553</u>	<u>650,086</u>
NONCURRENT LIABILITIES			
Compensated absences, net of current portion	38,669	67,184	105,853
Long-term debt, net of current portion	116,477	-	116,477
Capital lease, net of current portion	4,175	-	4,175
Net pension liability	498,808	337,126	835,934
Net OPEB obligation - health benefits	432,855	112,318	545,173
Total noncurrent liabilities	<u>1,090,984</u>	<u>516,628</u>	<u>1,607,612</u>
Total liabilities	<u>1,668,517</u>	<u>589,181</u>	<u>2,257,698</u>
DEFERRED INFLOWS OF RESOURCES - pension related			
	<u>43,048</u>	<u>22,879</u>	<u>65,927</u>
NET POSITION			
Invested in capital assets, net of related debt	1,595,367	425,000	2,020,367
Unrestricted	(27,994)	(229,353)	(257,347)
Total net position	<u>1,567,373</u>	<u>195,647</u>	<u>1,763,020</u>
	<u>\$ 3,278,938</u>	<u>\$ 807,707</u>	<u>\$ 4,086,645</u>

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, 2016

	KUSM	KUFM	Total
OPERATING REVENUES			
Sales and services	\$ 19,018	\$ 16,707	\$ 35,725
Contract production	132,991	-	132,991
Broadband lease	54,166	-	54,166
State support - transponder lease	150,000	-	150,000
Total operating revenues	<u>356,175</u>	<u>16,707</u>	<u>372,882</u>
OPERATING EXPENSES			
Broadcasting	1,609,357	352,752	1,962,109
Programming and production	1,576,501	586,990	2,163,491
Program information and promotion	172,052	-	172,052
Management and general	613,174	107,086	720,260
Fundraising and membership development	463,478	-	463,478
Solicitation and underwriting	29,110	-	29,110
Total operating expenses	<u>4,463,672</u>	<u>1,046,828</u>	<u>5,510,500</u>
OPERATING INCOME (LOSS)	<u>(4,107,497)</u>	<u>(1,030,121)</u>	<u>(5,137,618)</u>
NONOPERATING REVENUES			
Grants from CPB	1,038,492	-	1,038,492
Grants from state agencies	50,760	-	50,760
Grants from public broadcasting entities	10,000	-	10,000
State and local grants and contracts	-	86,892	86,892
Nongovernmental grants and contracts	14,812	-	14,812
Support from the Montana University System			
Appropriations for operations	842,458	443,247	1,285,705
Donated and indirect	802,725	108,275	911,000
Contributions from Friends used for operations	1,033,701	264,148	1,297,849
In-kind contributions	36,059	16,600	52,659
PBS royalties	8,245	-	8,245
Production underwriting	142,047	-	142,047
Program underwriting	64,805	-	64,805
Other contributions	84,836	-	84,836
Other revenue	13,098	7,156	20,254
Total nonoperating revenues	<u>4,142,038</u>	<u>926,318</u>	<u>5,068,356</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES			
Interest Expense	(466)	-	(466)
Investment income	2,004	4,084	6,088
Total other revenues, expenses, gains and losses	<u>1,538</u>	<u>4,084</u>	<u>5,622</u>
NET CHANGE IN NET POSITION	36,079	(99,719)	(63,640)
NET POSITION - Beginning of year	<u>1,531,294</u>	<u>295,366</u>	<u>1,826,660</u>
NET POSITION - End of year	<u>\$ 1,567,373</u>	<u>\$ 195,647</u>	<u>\$ 1,763,020</u>

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, 2016

	KUSM	KUFM	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Sales and services of educational activities	\$ 208,104	\$ 16,708	\$ 224,812
State support - transponder lease	150,000	-	150,000
Compensation and benefits	(1,779,934)	(566,404)	(2,346,338)
Other operating expenses	<u>(1,574,509)</u>	<u>(216,010)</u>	<u>(1,790,519)</u>
Net cash from operating activities	<u>(2,996,339)</u>	<u>(765,706)</u>	<u>(3,762,045)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions from Friends of MontanaPBS	1,036,631	264,148	1,300,779
Production underwriting	116,387	-	116,387
State appropriations	842,458	443,247	1,285,705
Grants and contracts	1,189,808	67,011	1,256,819
Other receipts	<u>82,886</u>	<u>7,156</u>	<u>90,042</u>
Net cash from noncapital financing activities	<u>3,268,170</u>	<u>781,562</u>	<u>4,049,732</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(302,864)	-	(302,864)
Proceeds received from the issuance of debt	115,473	-	115,473
Principal and interest paid on long-term debt	<u>(8,359)</u>	<u>-</u>	<u>(8,359)</u>
Net cash from capital and related financing activities	<u>(195,750)</u>	<u>-</u>	<u>(195,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>2,004</u>	<u>4,084</u>	<u>6,088</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	78,085	19,940	98,025
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,235,165</u>	<u>335,045</u>	<u>1,570,210</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,313,250</u>	<u>\$ 354,985</u>	<u>\$ 1,668,235</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$ (4,107,497)	\$ (1,030,121)	\$ (5,137,618)
Adjustments to reconcile change in net position to net cash from operating activities			
Depreciation and amortization	252,584	128,816	381,400
In-kind non-cash operating expenses	36,059	16,600	52,659
Non-cash indirect university support	802,725	108,275	911,000
Net pension liability and related deferred inflows and outflows	(15,320)	(11,526)	(26,846)
(Increase) decrease in assets			
Accounts receivable	(4,621)	-	(4,621)
Prepaid expenses	(14,831)	8,468	(6,363)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	(1,949)	(13,161)	(15,110)
Compensated absences	16,070	18,678	34,748
Unearned revenue	6,550	-	6,550
Net OPEB obligation - health benefits	<u>33,891</u>	<u>8,265</u>	<u>42,156</u>
Net cash flows from operating activities	<u>\$ (2,996,339)</u>	<u>\$ (765,706)</u>	<u>\$ (3,762,045)</u>

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

	<u>KUSM</u>	<u>KUFM</u>	<u>Friends of MontanaPBS, Inc.</u>	<u>2016 Total</u>	<u>2015 Total</u>
SUPPORT AND REVENUES					
Total support and revenues per statement of revenue, expenses, and changes in net position					
Operating revenues	\$ 356,175	\$ 16,707	\$ -	\$ 372,882	\$ 396,089
Nonoperating revenues	4,142,038	926,318	1,839,216	6,907,572	6,760,052
Other revenues	2,004	4,084	-	6,088	2,219
	<u>4,500,217</u>	<u>947,109</u>	<u>1,839,216</u>	<u>7,286,542</u>	<u>7,158,360</u>
Subtotal per CPB report Schedule F					
Less					
Federal support	440	-	-	440	2,900
Public broadcasting support	1,061,626	-	-	1,061,626	1,064,487
Friends revenue presented discretely	-	-	1,381,191	1,381,191	1,308,864
In-kind revenue (not NFFS)	3,875	-	-	3,875	2,735
Capital grants and contributions	-	-	-	-	-
Miscellaneous other items	130,870	-	(10,318)	120,552	150,538
	<u>1,196,811</u>	<u>-</u>	<u>1,370,873</u>	<u>2,567,684</u>	<u>2,529,524</u>
Subtotal					
Non-Federal financial support per CPB report summary, Line 5	<u>\$ 3,303,406</u>	<u>\$ 947,109</u>	<u>\$ 468,343</u>	<u>\$ 4,718,858</u>	<u>\$ 4,628,836</u>
EXPENSES					
Total expenses per statement of revenues, expenses, and changes in net position	\$ 4,464,138	\$ 1,046,828	\$ 1,801,981	\$ 7,312,947	\$ 7,186,654
Less contributions from Friends of Montana PBS to Montana PBS/ KUSM TV/KUFM TV	<u>-</u>	<u>-</u>	<u>1,381,191</u>	<u>1,381,191</u>	<u>1,308,864</u>
OPERATING EXPENSES PER CPB Report Summary, Schedule E, Line 8	<u>\$ 4,464,138</u>	<u>\$ 1,046,828</u>	<u>\$ 420,790</u>	<u>\$ 5,931,756</u>	<u>\$ 5,877,790</u>

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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, 2016

	KUSM	KUFM	Friends of MontanaPBS	Eliminations	Total	Schedule F AFR	Difference
OPERATING REVENUES							
Sales and services	\$ 19,018	\$ 16,707	\$ -	\$ -	\$ 35,725		
State support for transponder lease	132,991	-	-	-	132,991		
Contract production	54,166	-	-	-	54,166		
Broadband lease	150,000	-	-	-	150,000		
Total operating revenues	<u>356,175</u>	<u>16,707</u>	<u>-</u>	<u>-</u>	<u>372,882</u>	<u>372,882</u>	<u>-</u>
OPERATING EXPENSES							
Broadcasting	1,609,357	352,752	-	-	1,962,109		
Programming and production	1,576,501	586,990	-	-	2,163,491		
Program information and promotion	172,052	-	-	-	172,052		
Management and general	613,174	107,086	-	-	720,260		
Fundraising and membership development	463,478	-	-	-	463,478		
Solicitation and underwriting	29,110	-	-	-	29,110		
Friends of MontanaPBS payments to stations	-	-	1,381,191	(1,381,191)	-		
Friends of Montana PBS other expenses	-	-	420,790	-	420,790		
Total operating expenses	<u>4,463,672</u>	<u>1,046,828</u>	<u>1,801,981</u>	<u>(1,381,191)</u>	<u>5,931,290</u>		
OPERATING INCOME (LOSS)	<u>(4,107,497)</u>	<u>(1,030,121)</u>	<u>(1,801,981)</u>	<u>1,381,191</u>	<u>(5,558,408)</u>		
NONOPERATING REVENUES							
Grants from CPB	1,038,492	-	-	-	1,038,492		
Grants from state agencies	50,760	-	-	-	50,760		
Grants from public broadcasting entities	10,000	-	-	-	10,000		
State and local grants and contracts	-	86,892	-	-	86,892		
Nongovernmental grants and contracts	14,812	-	-	-	14,812		
Support from the Montana University System							
Appropriations for operations	842,458	443,247	-	-	1,285,705		
Donated and indirect	802,725	108,275	-	-	911,000		
Contributions from Friends used for operations	1,033,701	264,148	-	-	1,297,849		
In-kind contributions	36,059	16,600	-	-	52,659		
PBS royalties	8,245	-	-	-	8,245		
Production underwriting	142,047	-	-	-	142,047		
Program underwriting	64,805	-	-	-	64,805		
Other contributions	84,836	-	-	-	84,836		
Other operating revenue	13,098	7,156	-	-	20,254		
Friends of MontanaPBS revenue excluding losses	-	-	1,849,534	(1,381,191)	468,343		
Friends of MontanaPBS revenue losses	-	-	(10,318)	-	(10,318)		
Total nonoperating revenues	<u>4,142,038</u>	<u>926,318</u>	<u>1,839,216</u>	<u>(1,381,191)</u>	<u>5,526,381</u>	<u>5,526,381</u>	<u>-</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES							
Interest expense	(466)	-	-	-	(466)		
Investment income	2,004	4,084	-	-	6,088		
Total other revenues, expenses, gains and losses	<u>1,538</u>	<u>4,084</u>	<u>-</u>	<u>-</u>	<u>5,622</u>	<u>6,088</u>	<u>(466)</u>
NET CHANGE IN NET POSITION	<u>36,079</u>	<u>(99,719)</u>	<u>37,235</u>	<u>-</u>	<u>(26,405)</u>		
NET POSITION - Beginning of year	<u>1,531,294</u>	<u>295,366</u>	<u>1,229,736</u>	<u>(1,229,736)</u>	<u>1,826,660</u>		
NET POSITION - End of year	<u>\$ 1,567,373</u>	<u>\$ 195,647</u>	<u>\$ 1,266,971</u>	<u>\$ (1,229,736)</u>	<u>\$ 1,800,255</u>		
						Total Revenues Per AFR line E	\$ 5,905,351
						Total Revenues Per Financial Statements	\$ 5,905,351

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