The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.

anderson
ZURMUEHLEN

YELLOWSTONE PUBLIC RADIO/
KEMC-FM
(A Public Radio Entity)
Operated by the Montana State University-Billings

FINANCIAL REPORT

June 30, 2017

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Yellowstone Public Radio/KEMC-FM
(A Public Radio Entity)
Operated by Montana State University-Billings
Billings, Montana

We have audited the accompanying financial statements of the business type activities and discretely presented component unit of Yellowstone Public Radio/KEMC-FM (A Public Radio Entity) operated by Montana State University-Billings (the Station) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Yellowstone Public Radio/KEMC-FM as of June 30, 2017, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of Montana State University-Billings that is attributable to the transactions of the Station. They do not purport to and do not present fairly the financial position of Montana State University-Billings or the Montana University System as of June 30, 2017, and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress for Other Post-retirement Benefits Plan, Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions on pages 4 through 8 and 46 through 54, respectively, 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 the 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.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Yellowstone Public Radio/KEMC-FM's basic financial statements. The supplementary schedule on page 55 is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior-Year Comparative Information
We have previously audited Yellowstone Public Radio/KEMC-FM's June 30, 2016, financial statements, and we expressed an unmodified opinion in our report dated January 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Anderson ZurMuehlen + Co, P.C.

Billings, Montana
January 11, 2018

Yellowstone Public Radio is operated by Montana State University-Billings, a component unit of the State of Montana. Friends of Public Radio (Friends), is an affiliate that raises funds to provide financial and other support to Yellowstone Public Radio. The discussion and analysis that follows provides an overview of the consolidated Yellowstone Public Radio and Friends financial activities for the fiscal years ended June 2017 and 2016.

Financial Summary

The financial statements show operating revenues of $541,886 and $520,642 and operating expenses of $1,687,099 and $1,698,624, netting to an operating loss of $1,145,213 and $1,177,982 for the years ended June 30, 2017 and 2016, respectively. This operating loss is offset by non-operating revenues of $1,305,963 and $1,030,922; bringing the change in net assets for fiscal years 2017 and 2016 to $146,538 and ($149,184), respectively.

The assets of Yellowstone Public Radio and Friends exceeded liabilities by $1,783,547 and $1,637,009 for fiscal years 2017 and 2016, respectively.

Yellowstone Public Radio and Friends cash and cash equivalents at June 30, 2017 and 2016, were $985,042 and $1,946,447, respectively, representing a decrease of $961,405 from June 30, 2016, and a decrease of $435,520 from June 30, 2015.

Capital outlays for each of the years ended June 30, 2017 and 2016, were $27,605 and $22,137, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Yellowstone Public Radio and Friends' basic financial statements, which are comprised of the Statement of Net Position; the Statement of Revenues, Expenses, and Change in Net Position; the Statement of Cash Flows, and the Notes to the Financial Statements. The financial statements are designed to provide the readers with a broad overview of Yellowstone Public Radio and Friends' finances in a manner similar to a private-sector business.

The Statement of Net Position is presented in a classified format, differentiating between current and noncurrent assets, and categorizing net position.

Condensed Statement of Net Position

	2017	2016
Assets and deferred outflows		
Current assets	$ 1,132,975	$ 1,496,881
Capital assets	42,359	40,545
Other assets	1,382,347	1,133,327
Deferred outflow of resources	82,518	38,692
Total assets and deferred outflows	$ 2,640,199	$ 2,709,445
Liabilities and deferred inflows		
Current liabilities	$ 77,225	$ 271,275
Long-term liabilities	746,025	750,952
Deferred inflow of resources	33,402	50,209
Total liabilities and deferred inflows	856,652	1,072,436
Net position		
Invested in capital assets, net of related debt	42,359	40,545
Unrestricted	382,059	289,496
Restricted - expendable	1,359,129	1,306,968
Total net position	1,783,547	1,637,009
Total liabilities, deferred inflows and net position	$ 2,640,199	$ 2,709,445

Current assets include cash and cash equivalents, prepaid expense for programming costs and accounts receivable related to pledges. Current assets decreased by $363,907 primarily due to decrease in cash on deposit at fiscal yearend.

Other assets include restricted cash, endowment investments, and other investments. Other assets increased by $249,020 primarily due to increase in investments.

Deferred outflows are related to pension liability.

Current liabilities include accounts payable, unearned revenue, and the current portion of compensated absences.

Long-term liabilities include the amount of compensated absences liability estimated to be payable after a one-year period, as well as the Station's portion of the OPEB liability; pension liability; and annuity obligations.

Amounts invested in capital assets, net of related debt, consist of the historical acquisition value of capital assets, reduced by both accumulated depreciation expense charged against assets and debt balances related to capital assets. This balance increases as assets are acquired and debt is repaid, and decreases as assets are depreciated and debt is incurred. Please refer to the notes to the accompanying financial statements for more detailed information on capital assets and long-term debt.

Unrestricted net position may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. The increase of $92,562 was primarily due to change in investment portfolio.

Restricted, expendable net position are funds that may only be expended in accordance with restrictions imposed by an external party. The increase of $52,161 was due to change in investment portfolio.

The Statement of Revenues, Expenses, and Change in Net Position presents the support and revenue earned and expenses incurred on a full accrual basis and classifies activities as either "operating" or "non-operating." This distinction results in operating deficits for those stations that depend on State appropriations and gifts, which are classified as non-operating revenue.

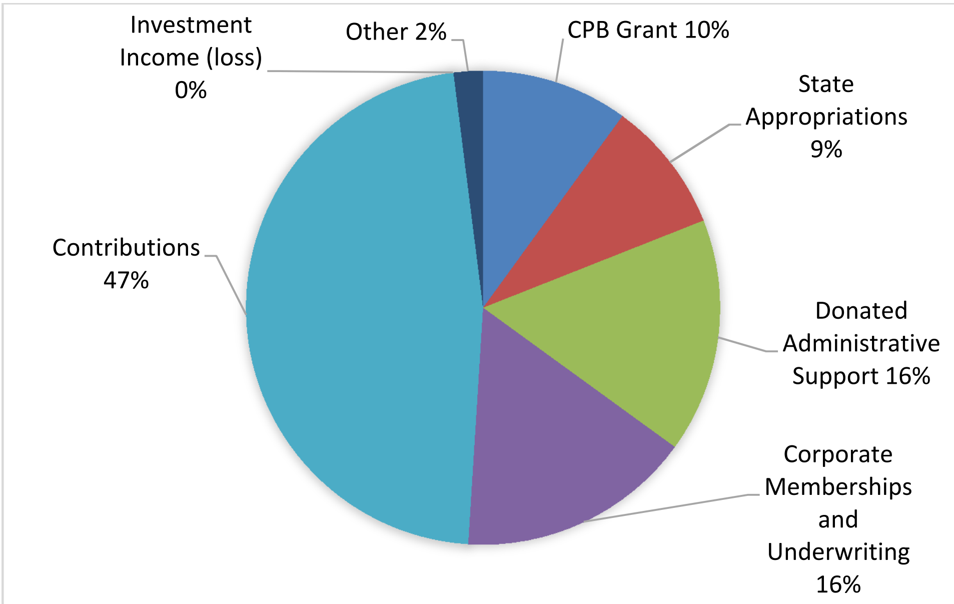
Condensed Statement of Revenues, Expenses, and Change in Net Position

	2017	2016
Operating revenues	$ 541,886	$ 520,642
Operating expenses	1,687,099	1,698,624
Operating loss	(1,145,213)	(1,177,982)
Non-operating revenues	1,305,963	1,030,922
Loss on disposal of equipment	(14,212)	(2,124)
Change in net position	$ 146,538	$ (149,184)

Operating revenues consist primarily of Corporation for Public Broadcasting (CPB) grant funds, donated administrative support from the MSU-Billings, and corporate memberships and underwriting.

Non-operating revenues consist primarily of contributions, investment income, CPB Grant revenue and state appropriations. The increase of $275,042 is due to an increase in contributions.

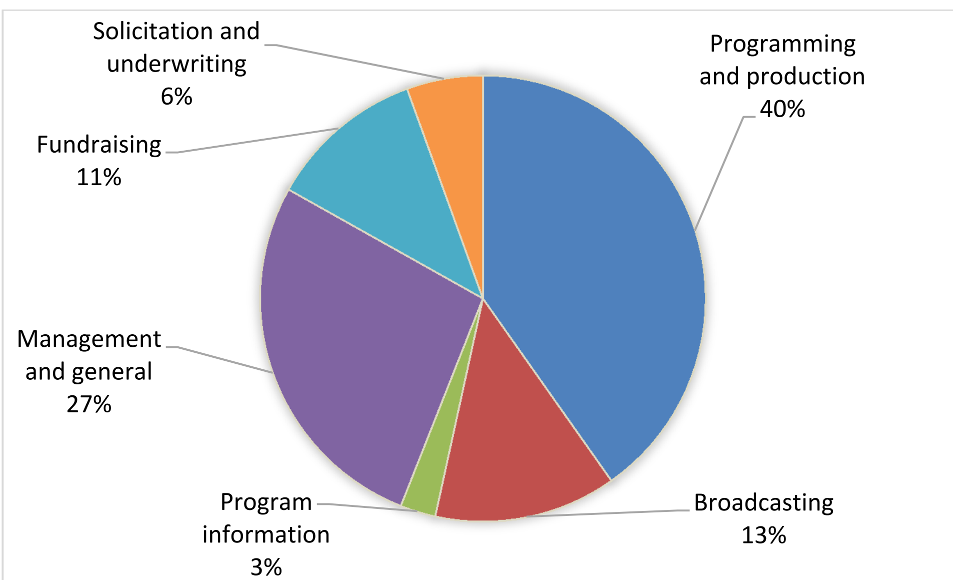
Revenue by Source



Operating expenses are presented by CPB categories of program and support. Programming expenses include programming and production, broadcasting, and program information. Support expenses include fundraising, management, and general and underwriting. The increase was primarily due to renovation of the studio and increase in programming expense.

Loss on disposal of equipment is due to the disposition of assets not fully depreciated.

Expenses by Program



The Statement of Cash Flows presents information related to cash inflows and outflows, categorized by operating, investing, and financing activities.

Condensed Statement of Cash Flows

	2017	2016
Cash flows from:		
Operating activities	$ (1,386,824)	$ (1,110,997)
Noncapital financing activities	1,085,369	993,488
Capital financing activities	(27,605)	(22,137)
Investing activities	(632,345)	665,531
Net increase in cash and cash equivalents	(961,405)	525,885
Cash and cash equivalents, beginning of year	1,946,447	1,420,562
Cash and cash equivalents, end of year	$ 985,042	$ 1,946,447

Operating activities used $1,386,824 and $1,110,997 in cash, resulting primarily from the operating loss of $1,145,213 and $1,177,982 for June 30, 2017 and 2016, respectively.

Financing activities provided $1,085,369 and $993,488 in cash for the years ended June 30, 2017 and 2016, respectively, resulting primarily from contributions.

Investing activities used $632,345 in cash for the year ended June 30, 2017 and provided $665,531 in cash for the year ended June 30, 2016. The decrease was due to purchase of investments.

Capital purchases used $27,605 in cash for the year ended June 30, 2017.

Economic Outlook

KEMC/YPR anticipates fundraising, development and underwriting revenues will realize an increase during the 2017-18 fiscal year. The station has invested in new personnel including a new underwriting and public information director. This position will increase our ability to raise new underwriting revenues. New opportunities for underwriting sales have increased due to restructuring our sales packages and an increased effort in approaching businesses that have not been solicited for underwriting in the past. We have hired a news reporter in Bozeman that will allow us to provide more content to that area and allow us to open doors for financial support. The station has developed and launched a new smart phone application, which will allow for underwriting opportunities and growth in listeners and members. In development, we are for the first time, testing out a Direct Mail Member Acquisition letter. If successful, this will raise our membership numbers and our fundraising dollars. We are making some changes to programming, which will offer us the chance to secure more underwriting around the new programs. With a concerted effort on underwriting, fundraising, and development, the station will realize an uptick in revenue. The revenue growth is needed, as the station needs to invest in personnel, facilities, and infrastructure improvements in the coming year.

FINANCIAL STATEMENTS

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF NET POSITION
June 30, 2017
(with comparative totals as of June 30, 2016)

	2017			2016
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
ASSETS AND DEFERRED OUTFLOW				
CURRENT ASSETS				
Cash and cash equivalents	$ 400,968	$ 549,399	$ 950,367	$ 1,397,647
Accounts receivable	21,682	-	21,682	27,284
Pledges receivable	-	149,839	149,839	68,726
Prepaid expenses	11,087	-	11,087	3,224
Total current assets	433,737	699,238	1,132,975	1,496,881
CAPITAL ASSETS				
Studio and broadcast equipment	117,769	-	117,769	148,323
Satellite	13,349	-	13,349	13,349
Transmission, antenna, tower	819,674	-	819,674	909,317
Accumulated depreciation	(908,433)	-	(908,433)	(1,030,444)
Total capital assets	42,359	-	42,359	40,545
OTHER ASSETS				
Restricted cash equivalents	14,448	20,227	34,675	548,800
Restricted investments	-	1,256,871	1,256,871	496,925
Cash surrender value - life insurance	-	90,801	90,801	87,602
Total other assets	14,448	1,367,899	1,382,347	1,133,327
DEFERRED OUTFLOW OF RESOURCES				
Pension adjustments	82,518	-	82,518	38,692
Total deferred outflow of resources	82,518	-	82,518	38,692
Total assets and deferred outflow	$ 573,062	$ 2,067,137	$ 2,640,199	$ 2,709,445

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017
(with comparative totals as of June 30, 2016)

	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
LIABILITIES, DEFERRED INFLOW, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 12,741	$ -	$ 12,741	$ 18,517
Unearned revenue	13,568	-	13,568	216,336
Current portion, compensated absences	50,916	-	50,916	36,422
Total current liabilities	77,225	-	77,225	271,275
LONG-TERM LIABILITIES				
Compensated absences, net of current portion	51,013	-	51,013	56,912
Annuities obligation	-	12,346	12,346	12,461
Net OPEB obligation	209,255	-	209,255	196,042
Pension liability	473,411	-	473,411	485,537
Total long-term liabilities	733,679	12,346	746,025	750,952
Total liabilities	810,904	12,346	823,250	1,022,227
DEFERRED INFLOW OF RESOURCES				
Pension adjustments	33,402	-	33,402	50,209
Total deferred inflow of resources	33,402	-	33,402	50,209
NET POSITION				
Net investment in capital assets	42,359	-	42,359	40,545
Unrestricted	(313,603)	695,662	382,059	289,496
Restricted, expendable	-	1,359,129	1,359,129	1,306,968
Total net position	(271,244)	2,054,791	1,783,547	1,637,009
Total liabilities, deferred inflows, and net position	$ 573,062	$ 2,067,137	$ 2,640,199	$ 2,709,445

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	2017			2016
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
OPERATING REVENUES				
Miscellaneous grant revenue	$ 4,167	$ -	$ 4,167	$ 7,842
Donated facilities and direct and indirect administrative support from Montana State University - Billings	251,393	-	251,393	246,701
Corporate memberships and underwriting	263,338	-	263,338	243,407
Other operating revenue	22,988	-	22,988	22,692
Total operating revenues	541,886	-	541,886	520,642
OPERATING EXPENSES				
Program services:				
Programming and production	756,735	-	756,735	683,039
Broadcasting	267,938	-	267,938	224,628
Program information	29,753	-	29,753	43,664
Total program services	1,054,426	-	1,054,426	951,331
Supporting services:				
Management and general	365,198	-	365,198	460,615
Fundraising	187,047	18,902	205,949	192,702
Solicitation and underwriting	61,526	-	61,526	93,976
Total supporting services	613,771	18,902	632,673	747,293
Total operating expenses	1,668,197	18,902	1,687,099	1,698,624
Operating loss	(1,126,311)	(18,902)	(1,145,213)	(1,177,982)

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
(CONTINUED)
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	2017			2016
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
NON-OPERATING REVENUES (EXPENSES)				
Community Service Grant from CPB	198,601	-	198,601	150,642
Contributions - other	23,178	-	23,178	33,946
General appropriation from the University System	119,650	-	119,650	133,413
Investment income	-	130,801	130,801	1,590
Contributions - Friends	-	825,166	825,166	700,100
Pension revenue	8,567	-	8,567	11,231
Receipt from affiliates	802,600	-	802,600	865,000
Payments to affiliates	-	(802,600)	(802,600)	(865,000)
Net non-operating revenues	1,152,596	153,367	1,305,963	1,030,922
OTHER GAINS & (LOSSES)				
Loss on disposal of equipment	(14,212)	-	(14,212)	(2,124)
Change in net position	12,073	134,465	146,538	(149,184)
Net position, beginning of year	(283,317)	1,920,326	1,637,009	1,786,193
Net position, end of year	$ (271,244)	$ 2,054,791	$ 1,783,547	$ 1,637,009

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	2017			2016
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from corporate memberships	$ 263,338	$ -	$ 263,338	$ 243,407
Cash received from other operating sources	27,155	-	27,155	30,534
Cash received from operating activities	290,493	-	290,493	273,941
Cash paid for operations	915,428	18,902	934,330	828,178
Cash paid for compensation and benefits	742,987	-	742,987	556,760
Cash paid for operating activities	1,658,415	18,902	1,677,317	1,384,938
Net cash flows from operating activities	(1,367,922)	(18,902)	(1,386,824)	(1,110,997)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions	23,178	744,054	767,232	712,694
Cash received from CPB grant	198,601	-	198,601	150,642
Cash received from Friends	802,600	-	802,600	865,000
Cash paid to the Station from Friends	-	(802,600)	(802,600)	(865,000)
Cash received from appropriation	119,651	-	119,651	133,413
Annuity obligation	-	(115)	(115)	(3,261)
Net cash flows from noncapital and related financing activities	1,144,030	(58,661)	1,085,369	993,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(27,605)	-	(27,605)	(22,137)
Net cash flows from capital and related financing activities	(27,605)	-	(27,605)	(22,137)

The Notes to Financial Statements are an integral part of this statement.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	2017			2016
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(898,468)	(898,468)	(403,105)
Proceeds from sale of investments	-	239,091	239,091	1,044,376
Interest income	-	27,032	27,032	24,260
Net cash flows from investing activities	-	(632,345)	(632,345)	665,531
Net change in cash and cash equivalents	(251,497)	(709,908)	(961,405)	525,885
Cash and cash equivalents, beginning of year	666,913	1,279,534	1,946,447	1,420,562
Cash and cash equivalents, end of year	$ 415,416	$ 569,626	$ 985,042	$ 1,946,447
AS PRESENTED IN THE ACCOMPANYING BALANCE SHEETS				
Cash and cash equivalents, unrestricted	$ 400,968	$ 549,399	$ 950,367	$ 1,397,647
Restricted cash equivalents	14,448	20,227	34,675	548,800
	$ 415,416	$ 569,626	$ 985,042	$ 1,946,447
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss	$ (1,126,311)	$ (18,902)	$ (1,145,213)	$ (1,177,982)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation and amortization	11,577	-	11,577	12,771
Change in OPEB liability	13,213	-	13,213	14,348
Change in Pension liability	(64,192)	-	(64,192)	4,108
Change in assets:				
Accounts receivable	5,602	-	5,602	8,857
Prepaid expenses	(7,862)	-	(7,862)	(75)
Change in liabilities:				
Accounts payable and accrued expenses	(5,776)	-	(5,776)	11,839
Deferred revenue	(202,768)	-	(202,768)	40,117
Compensated absences	8,595	-	8,595	(24,980)
Net cash flows from operating activities	$ (1,367,922)	$ (18,902)	$ (1,386,824)	$ (1,110,997)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Yellowstone Public Radio (the Station) is a public radio station (KEMC-FM) funded in part by a grant through the Corporation for Public Broadcasting. The Station is operated by Montana State University-Billings (MSU-Billings), a separate operational unit of Montana State University (MSU), which is a component unit of the State of Montana, and is included in the financial statements of the State of Montana as part of the Higher Education component unit. Financial activities of MSU-Billings, including the Station, are included in the financial statements of MSU.

The Station services Montana and Wyoming by acquiring, producing, and delivering high quality radio programming, production, and community outreach services. These non-commercial services provide educational, informational, and entertaining programming produced nationally and locally and extends the impact of radio through community outreach efforts. The Station relies significantly on grants, MSU-Billings support, and public contributions.

The component unit described below is included in the Station's reporting entity because of the significance of the operational and financial relationship with the Station.

Component Unit

The Friends of Public Radio, Inc. is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation. Friends of Public Radio raises funds to provide financial and other support to the Station, a public radio station licensed by MSU-Billings. The support provided includes fundraising, positive community relations, a volunteer system, and related administrative services.

The administration of Friends of Public Radio is provided by a Board of Directors consisting of 30 members, who serve three-year annual terms. Special memberships on the Board of Directors include (1) the Chancellor of MSU-Billings, who serves as an ex officio without voting powers, and (2) a representative of the Station chosen by the Board of Directors upon recommendation of the Chancellor of MSU-Billings, selected each year to serve without voting powers.

Financial Statement Presentation

The Station's financial statements are presented in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 34*, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.* Under GASB Statements No. 34 and No. 35, 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 change in net position—with separate presentation for operating and non-operating revenues and expenses—and a statement of cash flows using the direct method.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents
For purposes of the statement of cash flows, short-term investments (including restricted cash) are included in cash equivalents. Short-term investments are recorded at cost, which approximates market value.

Accounts Receivable
Management has determined accounts receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Pledges Receivable
Pledges receivable are stated at net realizable value and are due within one to three years. Management has determined pledges receivable to be fully collectible, and thus, no provision has been made for an allowance for doubtful accounts.

Capital Assets
Capital assets with a cost, or in the case of donated property—estimated fair value at date of receipt—of $5,000 or more and an estimated useful life of more than one year are capitalized, consistent with MSU-Billings' policy.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Studio and broadcast equipment	13 to 31
Satellite	13
Transmission, antenna, tower	5 to 20
Furniture and fixtures	5

Investments
The Station accounts for its investments at fair value. All investment income, including changes in unrealized gain (loss) on the carrying value of investments, is reported as a component of investment income.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 change 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.

Net Position
The Station's net position is classified as follows:

Invested in capital assets, net of related debt: This represents the Station's total investment in capital assets, net of depreciation, and 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 – expendable: Expendable restricted includes resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted – nonexpendable: Nonexpendable restricted consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: Unrestricted represents resources derived from operating grants, state appropriations, corporate memberships and underwriting, and unrestricted contributions. These resources are used for transactions relating to the general operations of the Station and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station's policy is to apply the expense on a case by case basis.

Classification of Revenues
The Station has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) operating grants, (2) support from MSU-Billings, and (3) corporate memberships and underwriting.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues (Continued)
Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as community service grants from CPB, gifts and contributions, state appropriations, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting*, and GASB No. 34.

Community Service Grants
The Corporation for Public Broadcasting (CPB) is a private, non-profit, 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. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

The grants are reported on the accompanying financial statements as unrestricted non-operating funds; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements.

These guidelines pertain to the use of grant funds, record keeping, audits, and financial reporting and licensee status with the Federal Communications Commission.

Donated Facilities, Materials, and Services
Donated facilities from MSU-Billings 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 revenues, expenses, and change in net position. Administrative support from MSU-Billings consists of indirect costs incurred by MSU-Billings on behalf of the Station, determined by established cost pools, which are grouped into functional categories such as institutional support and physical plant support, which is then allocated, based on the Station’s direct costs in accordance with guidelines established by the 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.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 change in net position. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status
As a state institution of higher education, the income of the Station is 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).

The Station is no longer subject to examinations by federal tax authorities for years before 2014.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Subsequent Events
Management has evaluated subsequent events through January 11, 2018 the date which the financial statements were available for issue.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash balances are maintained (1) in pooled funds with other MSU-Billings funds and (2) at a local financial institution. FDIC coverage is limited to $250,000 per account holder. From time to time, certain bank accounts that are subject to limited FDIC coverage exceed their insured limits. At June 30, 2017, bank accounts exceeded insured limits by $319,626.

Because of the pooled cash concept, it is not possible to allocate the Station’s share of the pooled cash balances into the various risk categories.

NOTE 3. CAPITAL ASSETS

Activity for capital assets for the year ended June 30, 2017, is summarized below:

	June 30, 2016	Additions	Transfers	Retirements	June 30, 2017
Studio and broadcast equipment	$ 148,323	$ -	$ 10,295	$ (40,849)	$ 117,769
Satellite	13,349	-	-	-	13,349
Transmission, antenna, tower	909,317	27,605	(10,295)	(106,953)	819,674
Accumulated depreciation	(1,030,444)	(11,577)	-	133,588	(908,433)
	$ 40,545	$ 16,028	$ -	$ (14,214)	$ 42,359

Depreciation expense was charged to the broadcasting function in the amount of $11,577.

NOTE 4. INVESTMENTS

Investments consist of securities within the Fund 2000 restricted term endowment and the Friends of Public Radio board directed account. The Station records the investments at fair value, with changes in value shown as a component of current-year, non-operating income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach.

As required under GAAP, investments are classified within the level of lowest significant input considered in determining fair value. GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels: Level 1 as quoted prices in active markets as of the measurement date, Level 2 quoted prices that are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability and Level 3 significant unobservable prices or inputs for which there is little or no market activity for the asset or liability at the measurement date.

A comparison of cost to fair value, with the cumulative unrealized gain, follows:

	Historical Cost	Level 1 Fair Value	Cumulative Unrealized Gain
Investments	$ 1,147,404	$ 1,256,871	$ 109,467

NOTE 4. INVESTMENTS (CONTINUED)

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Station has an investment policy that limits investment maturities for any single security to 20 years or less. Information about the exposure of the Station's investments to this risk at June 30, 2017, using the segmented time distribution model is shown below:

		Investment Maturities			
Investment	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Treasuries	$ 64,626	$ 16,010	$ 26,907	$ -	$ 21,709
U.S. Government Agencies	47,980	-	32,693	15,287	-
Corporate Bonds	68,394	8,032	11,234	41,666	7,462
Foreign Bonds	5,045	-	5,045	-	-
Mutual Funds:					
Domestic	475,406	475,406	-	-	-
Foreign	239,609	239,609	-	-	-
Stocks:					
Domestic	324,138	324,138	-	-	-
Foreign	22,833	22,833	-	-	-
Real Estate	8,840	8,840	-	-	-
Total	$ 1,256,871	$ 1,094,868	$ 75,879	$ 56,953	$ 29,171

Credit Risk: Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. Presented on the following page are the ratings for each investment type at June 30, 2017:

	Fair Value	AAA to Aa3	A1 to A3	Baa1 - Baa3	Unrated
U.S. Treasuries	$ 64,626	$ 64,626	$ -	$ -	$ -
U.S. Government Agencies	47,980	47,980	-	-	-
Corporate Bonds	68,394	7,236	29,827	31,331	-
Foreign Bonds	5,045	-	5,045	-	-
Mutual Funds:					
Domestic	475,406	-	-	-	475,406
Foreign	239,609	-	-	-	239,609
Stocks:					
Domestic	324,138	-	-	-	324,138
Foreign	22,833	-	-	-	22,833
Real Estate	8,840	-	-	-	8,840
Total	$ 1,256,871	$ 119,842	$ 34,872	$ 31,331	$ 1,070,826

NOTE 4. INVESTMENTS (CONTINUED)

Credit Risk (Continued):
A paid-up life insurance policy was donated in a prior year in which Friends of Public Radio is the beneficiary. The cash value of the policy at June 30, 2017, amounted to $90,801 with a death benefit of $137,624.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. Current-year investment income consists of the following:

Interest and dividends	$ 28,091
Unrealized gain	97,037
Realized gain	5,673
	$ 130,801

NOTE 5. PENSION PLANS

The Station's employees are covered under the Montana Public Employees' Retirement System (PERS) or the Montana Teachers' Retirement System (TRS). PERS includes options as either a defined benefit or a defined contribution plan, and TRS is a defined benefit retirement plan. PERS and TRS are multiple-employer, cost sharing plans.

The following information, related to these pension plans, is related to activity of the Station. For information regarding pension plans related to the Station, the information can be found in Montana State University's annual financial report.

The amounts contributed to the plans during the year ended June 30, 2017, were equal to the required contribution each year. The amounts contributed by the Station and its employees were:

Fiscal year ended:	PERS	TRS	Percentage of required contributions
June 30, 2017	$ 26,567	$ 5,943	100.00%
June 30, 2016	$ 31,975	$ 4,303	100.00%
June 30, 2015	$ 31,952	$ 3,369	100.00%
June 30, 2014	$ 29,420	$ 3,284	100.00%
June 30, 2013	$ 25,092	$ 3,187	100.00%

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

PERS Plan Description

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

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

PERS Eligibility for Participation

All new members in covered positions 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 universities also have a third option to join the university system's Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. A new employee of the Station 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.

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 services; Age 70, regardless of membership service.
Early retirement, actuarially reduced:	
Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting

5 years of membership service.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

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;

Compensation Cap:

- Hired on or after July 1, 2013 – 100% annual cap on compensation considered as part of a member's highest average compensation.

PERS Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

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 on or after 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 (NPL)

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.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

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

	2017	2016	Percent of Collective NPL at June 30, 2017	Percent of Collective NPL at June 30, 2016	Increase (Decrease) in Percent of Collective NPL
The Station's proportionate share	$ 449,598	$ 467,996	0.026422%	0.033462%	-0.00704%

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

PERS Changes
There were no changes in assumptions, other inputs, or benefit terms since the previous measurement date. Between the measurement date of the collective Net Pension Liability and the Station's reporting date, there were changes in proportion 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 year ended June 30,

	Pension Expense as of June 30, 2017	Pension Expense as of June 30, 2016
Station's proportionate share	$ 19,924	$ 23,662
State of Montana proportionate share/ Station revenue recognized	7,877	11,231
Total	$ 27,801	$ 34,893

Amounts recognized as revenue relate to a grant from the Montana Coal Trust Fund, which is not considered a special funding situation.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Deferred Inflows and Outflows

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

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,429	$ 1,456	$ -	$ 2,830
Differences between projected and actual earnings on pension plan investments	42,340	-	-	39,600
Change in proportionate share	-	31,746	-	6,799
*Contributions paid to PERS subsequent to the measurement date	27,513	-	31,984	-
Total	$ 72,282	$ 33,202	$ 31,984	$ 49,229

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018.

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

	Net amount to be recognized as an increase or (decrease) to pension expense
2018	$ 2,050
2019	2,050
2020	24,060
2021	15,118

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.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Member contributions

- Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
- The 7.90% member contributions 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 reduction of both the additional employer and additional member contributions rates.

PERS Employer contributions

- State and University System employers are required to contribute 8.47% of members' compensation.
- Local government entities are required to contribute 8.37% of members' compensation.
- School district employers contributed 8.10% 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 a portion of Coal Severance Tax Severance fund.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (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 the stand alone financial statements can be found on their website at http://mpera.mt.gov/annualreports.shtml

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

PERS Actuarial Assumptions

The Total Pension Liability as of June 30, 2017, is based on the result of an actuarial valuation date of June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 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%
• Admin Expense as % of Payroll	0.27%

Postretirement Benefit Increases

Guarantee Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the members' benefit increases by the applicable percentage each January, inclusive of other adjustments to the members' benefit.

- ◦ 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.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

PERS Target Allocations

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	0.10%
Domestic Equity	36.00%	1.64%
Foreign Equity	18.00%	1.14%
Fixed Income	23.40%	0.23%
Private Equity	12.00%	0.93%
Real Estate	8.00%	0.32%
Total		4.36%
Inflation		3.00%
Portfolio Return Expectation		7.36%

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized above.

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Sensitivity Analysis

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The Station's proportion	$ 652,400	$ 449,598	$ 274,904

The above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

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 NPL; 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.

Teachers' Retirement System (TRS)

TRS Plan Description

Teachers' Retirement System (TRS or the System) 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.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

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

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

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

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Net Pension Liability

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

	2017	2016	Percent of Collective NPL at June 30, 2017	Percent of Collective NPL at June 30, 2016	Increase (Decrease) in Percent of Collective NPL
The Station's proportionate shar	$ 23,813	$ 17,541	0.0013%	0.0010%	0.0003%

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. Therefore, no update procedures were used to roll forward the total pension liability to the measurement date. The Station's proportion of the net pension liability was based on the Station's contributions received by TRS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of TRS' participating employers.

TRS Changes Between the Measurement Date and Reporting Date

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

TRS Changes Since the Previous Measurement Date

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

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.
- Each employer may have unique circumstances that impact its proportionate share of the collective net pension liability. The Station has not been made aware of any unique circumstances expected to significantly affect its net pension liability.

There have been no changes in benefit terms since the previous measurement date.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Pension Expense

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

	2017	2016
The Station's proportionate share	$ 3,335	$ 5,502
State of Montana expense / Station revenue recognized	690	-
Total	$ 4,025	$ 5,502

TRS Deferred Inflows and Outflows

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

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 126	$ 51	$ 185	$ -
Changes in actuarial assumptions	150	149	248	-
Differences between projected and actual investment earnings	1,521	-	-	943
Difference between actual and expected contributions	2,055	-	1,972	-
*Contributions paid to TRS subsequent to the measurement date	6,384	-	4,303	-
Total	$ 10,236	$ 200	$ 6,708	$ 943

* Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

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

	Net amount to be recognized as an increase or (decrease) to pension expense
2018	$ 1,751
2019	391
2020	965
2021	546

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 in TRS. TRS receives 2.49% of reportable compensation from the State's general fund for School Districts and Other Employers. The System also receives 0.11% of reportable compensation from the State's general fund for all State and University employers. Finally, the State is also required to contribute $25 million in perpetuity payable July 1st of each year.

As of June 30, 2016, MCA 19-20-605 requires each employer to contribute 11.15% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Overview of Contributions (Continued)

The tables below show the legislated contribution rates for TRS members, employers and the State.

School District and Other Employers

	Members	Employers	General Fund	Total Employee & Employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	7.47%	2.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	7.47%	2.49%	17.11%
July 1, 2013 to June 30, 2014	8.15%	8.47%	2.49%	19.11%
July 1, 2014 to June 30, 2015	8.15%	8.57%	2.49%	19.21%
July 1, 2015 to June 30, 2016	8.15%	8.67%	2.49%	19.31%
July 1, 2016 to June 30, 2017	8.15%	8.77%	2.49%	19.41%
July 1, 2017 to June 30, 2018	8.15%	8.87%	2.49%	19.51%
July 1, 2018 to June 30, 2019	8.15%	8.97%	2.49%	19.61%
July 1, 2019 to June 30, 2020	8.15%	9.07%	2.49%	19.71%
July 1, 2020 to June 30, 2021	8.15%	9.17%	2.49%	19.81%
July 1, 2021 to June 30, 2022	8.15%	9.27%	2.49%	19.91%
July 1, 2022 to June 30, 2023	8.15%	9.37%	2.49%	20.01%
July 1, 2023 to June 30, 2024	8.15%	9.47%	2.49%	20.11%

State and University Employers

	Members	Employers	General Fund	Total Employee & Employer
Prior to July 1, 2007	7.15%	7.47%	0.11%	14.73%
July 1, 2007 to June 30, 2009	7.15%	9.47%	0.11%	16.73%
July 1, 2009 to June 30, 2013	7.15%	9.85%	0.11%	17.11%
July 1, 2013 to June 30, 2014	8.15%	10.85%	0.11%	19.11%
July 1, 2014 to June 30, 2015	8.15%	10.95%	0.11%	19.21%
July 1, 2015 to June 30, 2016	8.15%	11.05%	0.11%	19.31%
July 1, 2016 to June 30, 2017	8.15%	11.15%	0.11%	19.41%
July 1, 2017 to June 30, 2018	8.15%	11.25%	0.11%	19.51%
July 1, 2018 to June 30, 2019	8.15%	11.35%	0.11%	19.61%
July 1, 2019 to June 30, 2020	8.15%	11.45%	0.11%	19.71%
July 1, 2020 to June 30, 2021	8.15%	11.55%	0.11%	19.81%
July 1, 2021 to June 30, 2022	8.15%	11.65%	0.11%	19.91%
July 1, 2022 to June 30, 2023	8.15%	11.75%	0.11%	20.01%
July 1, 2023 to June 30, 2024	8.15%	11.85%	0.11%	20.11%

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Actuarial Assumptions

The Total Pension Liability as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of the last actuarial experience study, dated May 1, 2014. Among those assumptions were the following:

• Total Wage Increases*	4%-8.51% for Non-University Members and 5.00% for University Members
• Investment Return	7.75%
• Price Inflation	3.25%

- Postretirement Benefit Increases
  - 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 1992 Base Rates from 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 1992 Base Rates from 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.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (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 System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2119. 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 U.S. 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 artihmetic 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 is comprised of a 3.25% inflation rate and a real long-term expected rate of return of 4.50%.

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 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.

NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Target Allocations (Continued)

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 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 System's target asset allocation as of June 30, 2016, is summarized in the above table.

TRS Sensitivity Analysis

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

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
The Station's proportion of net pension liability	$ 31,950	$ 23,813	$ 16,962

TRS Summary of Significant Accounting Policies

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the NPL, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the 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

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Eligibility— Retirees who are eligible to receive retirement benefits from Teachers Retirement System (TRS) or the Public Employees Retirement System (PERS) at the time employment ceases may participate in the plan. Retirees who are in the Montana University System Retirement Plan (MUS-RP) (through TIAA-CREF) or any other defined contribution plan associated with the MUS must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for retiree insurance benefits. The MUS's Interunit Benefits Committee, at the direction of the OCHE, sets the premiums for such participation. Until a retiree reaches age 65, individual retiree participation premiums range from $847-$947 per month, depending on the level of deductible and other selected plan features. Upon reaching age 65 (Medicare eligibility), monthly participation premiums range from $387-$432 for an individual retiree. Coverage is also extended to dependents and surviving dependents of the employee. Retirees who select a non-MUS Medicare Advantage Program are not considered in the above rates.

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

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

The plan is considered to be a multi-employer agent plan. All units of the MUS fund the post-employment benefits on a pay-as-you-go basis from general assets. The University's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The calculated ARC represents an amount that, if funded, would cover normal cost each year and amortize any unfunded actuarial liability over a period of 30 years. The most recent actuarial determination was based on plan information as of July 1, 2015. At that time, the number of active University participants in the health insurance plan was 3,097.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The total number of inactive (retiree and dependent) participants was 931. During the years ended June 30, 2017, 2016 and 2016, the University contributed $47,749,840, $39,518,632, and $38,746,697, respectively, which was calculated based on a contribution rate per actively employed participants, whose annual covered payroll totaled $207,301,264 as of the last actuarial valuation. Included within this amount, the University is deemed to have contributed $1,820,866, $1,314,822 and $1,716,218, for retirees or their dependents during 2017, 2016 and 2015, 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 34%, 24% and 31% for 2017, 2016 and 2015 respectively. The funded status of the plan as of June 30 was 0% for each of the previous three years.

The Station's OPEB obligations for 2017, 2016, and 2015 are:

Year ended June 30,	2017	2016	2015
Annual required contribution	$ 17,274	$ 17,098	$ 16,218
Net interest and amortization on OPEB obligation	2,583	1,743	1,530
Annual OPEB cost	19,857	18,841	17,748
Contributions made	(6,644)	(4,492)	(5,554)
Increase to net OPEB obligation	13,213	14,349	12,194
Net OPEB obligation - beginning of year	196,042	181,693	169,499
Net OPEB obligation - end of year	$ 209,255	$ 196,042	$ 181,693

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 marital status at retirement, mortality rates, and retirement age:

Method	30-year, level percent of pay amortization on an open basi
Interest/discount rate	4.25%
Projected payroll increases	2.50%
Healthcare cost trend rate	-8.00% (medical and prescription) for the initial year; -Rates decreasing from 7.5% to 5.0% for years 2016-2021 -4.50% (medical and prescription) in 2022 and beyond.
Participation	50% of future retirees are assumed to elect coverage at the time of retirement, 60% of future eligible spouses of future retirees are assumed to elect coverage.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

NOTE 7. ANNUITIES OBLIGATION

The Station is subject to certain provisions of the Montana Code Annotated, which specify that a charitable organization may only issue a "qualified charitable gift annuity" if it meets the following statutory requirements on the date of the annuity agreement: (1) has a minimum of $300,000 net worth or has a minimum of $100,000 in unrestricted cash, cash equivalents, or publicly traded securities, exclusive of the assets funding the annuity agreement; (2) has been in continuous operation for at least three years or is a successor or affiliate of a charitable organization that has been in continuous operation for at least three years; (3) maintains a separate annuity fund with at least one-half the value of the initial amount transferred for outstanding annuities. If the charitable organization cannot meet the requirements, the issuance of qualified charitable gift annuity by a charitable organization must be commercially insured by a licensed insurance company that is qualified to do business in Montana. For the year ended June 30, 2017, the Station met the requirements to issue qualified charitable gift annuities.

Friends of Public Radio, Inc. have received deferred charitable annuity gifts with a total principal value of $68,998. An annuity obligation liability has been recorded in the amount of $12,346 at June 30, 2017, representing the donors' investments in the contract at annuity rates ranging from 5.0% to 13.7% and annuity payment starting dates ranging from 0.5 to 31.5 years.

NOTE 8. LONG-TERM LIABILITIES

Activity for long-term liabilities for the year ended June 30, 2017, is summarized below:

	June 30, 2016	Additions	Reductions	June 30, 2017
Compensated absences	$ 93,334	$ 55,217	$ (46,622)	$ 101,929
Less: current portion	(36,422)	(37,827)	23,333	(50,916)
	$ 56,912	$ 17,390	$ (23,289)	$ 51,013
Annuities obligation	$ 12,461	$ 60	$ (175)	$ 12,346
OPEB obligation	$ 196,042	$ 13,213	$ -	$ 209,255
Pension obligation	$ 485,537	$ -	$ (12,126)	$ 473,411

NOTE 9. LEASES

Transmitter Site Ground Leases

The Station maintains leases in certain real property for transmitter or translator sites. At June 30, 2017, the following leases were in effect:

	Commencement	Expiration	Monthly Lease Payment
Miles City, MT	3/1/2007	3/1/2027	$ 35
Yellowstone County, MT	1/1/2016	12/31/2022	$ 525
Bozeman, MT	1/1/1991	None	$ 323
Terry, MT	3/1/1991	None	$ 60
Worland, WY	8/15/1990	None	$ 288 per quarter
Cedar Mountain, WY	7/1/1986	None	$ 125
Medicine Mountain, WY	7/1/1986	None	$ 125
Sweetgrass Hills, WY	7/1/1986	None	None
Shelby, MT	7/1/2012	8/1/2019	None
Forsyth, MT	2/14/2017	2/29/2024	$ 173
Broadus, MT	7/1/1996	None	None
Ashland, MT	7/1/1996	None	None
Sheridan, WY	12/1/1997	None	$ 164
Bozeman, MT	6/5/2003	None	$ 125
Wolf Point, MT	9/16/2009	9/16/2016	$ 1 per day
Big Timber, MT	7/1/2010	7/1/2017	$ 275
Great Falls, MT	10/1/2012	9/30/2017	$ 481
Helena, MT	7/1/2017	6/30/2017	$ 675
Livingston, MT	12/1/2010	12/1/2017	$ 100
Buffalo, WY	4/1/2015	3/31/2018	$ 183

NOTE 9. LEASES (CONTINUED)

Transmitter Site Ground Leases (Continued)
Total lease expense for the Station under the above leases at June 30, 2017 totaled $37,752. Minimum lease payments under long-term lease agreements for the next five years are as follows:

For the years ending June 30,		
2018	$	16,285
2019		12,694
2020		12,694
2021		12,694
2022		12,694
Thereafter		48,546
	$	115,607

NOTE 10. RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

During the year ended June 30, 2017, the Station received $802,600 in monetary support from Friends of Public Radio.

The following in-kind contributions were recorded in the Station's financial statements for the year ended June 30, 2017:

University indirect administrative support	$	234,095
Occupancy		17,298
Total related party in-kind contributions		251,393
Other in-kind contributions		23,178
Total	$	274,571

NOTE 11. COMMITMENTS AND CONTINGENCIES

Funding Sources
The Station operates their programs with the aid of funding primarily from the following sources:

1) CPB grants
2) Appropriations from the Montana University System
3) Contributions from Friends of Public Radio, Inc.
4) Corporate membership and underwriting

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

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

CPB Grant
The Station must use its CSGs within two one-year grant periods. Any unexpended funds must be returned to the CPB. Although it is a possibility that the funds could not be spent within the grant period, the management of the Station deems the contingency remote.

Other
The Station faces a number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, and (c) workers' compensation. The Station, as a department of the Montana University System, participates in the risk management programs of the Montana University System.

NOTE 12. MONTANA COMMUNITY FOUNDATION

Donations were received in prior years through the Montana Community Foundation (MCF) to establish an irrevocable endowment fund on the books of the MCF, known as the "Friends of Public Radio - Fund 2000 Endowment Fund." The principal of the Fund, along with net capital appreciation, shall be kept and invested by MCF, and net income from the fund is distributable to Friends of Public Radio at least annually. The value of the fund at June 30, 2017 was $91,825.

NOTE 13. ENDOWMENT FUND (PREVIOUSLY KNOWN AS FUND 2000)

Included in the restricted investments is a term endowment, known as "Yellowstone Public Radio Fund 2000," was established by the Board to ensure future generations' access to the Station's coverage area in Montana and Wyoming. The primary mission of this fund is to provide permanent financial shelter from the Station against sudden loss of federal funding, unforeseen emergencies, and natural disasters.

The fund will be continually reinvested to provide ongoing support for Station. Earnings from the fund are unrestricted, but Board approval is necessary for withdrawal. The principal can be used, if necessary, for these special circumstances:

- To pay for the deductible of insurance costs, to repair, or replace damaged equipment/facilities in the event of a natural disaster or other emergency.
- To provide emergency (supplementary) funds in the event of sudden changes in state or federal appropriations for public radio.
- To expand and enhance access to public radio.

REQUIRED SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Years ended June 30, 2017 and 2016

Teachers' Retirement System (TRS)

	2017	2016	2015
The Station's proportion of the net pension liability	0.0013%	0.0010%	0.0009%
The Station's proportionate share of the net pension liabili	$ 23,813	$ 17,541	$ 14,053
The Station's covered-employee payroll	$ 13,164	$ 10,674	$ 8,990

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

Public Employees' Retirement System (PERS)

	2017	2016	2015
The Station's proportion of the net pension liability	0.02642%	0.03346%	0.03357%
The Station's proportionate share of the net pension liabili	$ 449,598	$ 467,996	$ 418,291
The Station's covered-employee payroll	$ 312,699	$ 385,820	$ 386,360

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

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULES OF CONTRIBUTIONS
Years ended June 30, 2017 and 2016

Teachers' Retirement System (TRS)

	2017	2016	2015
Contractually required contributions	$ 5,943	$ 4,303	$ 3,369
Contributions in relation to the contractually required contributions	5,943	4,303	3,369
Contribution deficiency (excess)	-	-	-
The Station's covered-employee payroll	13,164	10,674	8,990
Contributions as a percentage of covered-employee payrol	45.1459%	40.3129%	37.4750%

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

Public Employees' Retirement System (PERS)

	2017	2016	2015
Contractually required contributions	$ 26,567	$ 31,975	$ 31,952
Contributions in relation to the contractually required contributions	26,567	31,975	31,952
Contribution deficiency (excess)	-	-	-
MSU-Billings' covered-employee payroll	312,699	385,820	386,360
Contributions as a percentage of covered-employee payro	8.4960%	8.2875%	8.2700%

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

NOTE 1. TEACHERS' RETIREMENT SYSTEM (TRS)

Changes of benefit terms
The following changes to the plan provision were made as identified:

The 2013 Montana Legislature passed HB 377, which provides additional revenue and created a two-tier benefit structure. A Tier One Member is a person who first became a member before July 1, 2013, and has not withdrawn their member's account balance. A Tier Two Member is a person who first becomes a member on or after July 1, 2013, or after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

The second tier benefit structure for members hired on or after July 1, 2013, is summarized below.

1) **Final Average Compensation**: average of earned compensation paid in five consecutive years of full-time service that yields the highest average.
2) **Service Retirement:** Eligible to receive a service retirement benefit if the member has been credited with at least 5 full years of creditable service and has attained the age of 60; or has been credited with 30 or more years of full-time or part-time creditable service and has attained age 55.
3) **Early Retirement**: Eligible to receive an early retirement allowance if a member is not eligible for service retirement but has at least 5 years of creditable service and attained age 55.
4) **Professional Retirement Option**: if the member has been credited with 30 or more years of service and has attained the age of 60, they are eligible for an enhanced allowance equal to 1.85% of average final compensation times all service at retirement. Otherwise, the multiplier used to calculate the retirement allowance will be equal to 1.67%.
5) **Annual Contribution**: 8.15% of member's earned compensation.
6) **Supplemental Contribution Rate**: On or after July 1, 2023, the TRS Board may require a supplemental contribution up to 0.5% if the following three conditions are met:
    a. The average funded ratio of the System based on the last three annual actuarial valuations is equal to or less than 80%; and
    b. The period necessary to amortize all liabilities of the System based on the latest annual actuarial valuation is greater than 20 years; and

NOTE 1. TEACHERS' RETIREMENT SYSTEM (TRS) (CONTINUED)

Changes of benefit terms (Continued)

c. A State or employer contribution rate increase or a flat dollar contribution to the Retirement System Trust fund has been enacted that is equivalent to or greater than the supplemental contribution rate imposed by the TRS Board.

7) **Disability Retirement:** A member will not be eligible for a disability retirement if the member is or will be eligible for a service retirement on the date of termination.

8) **Guaranteed Annual Benefit Adjustment (GABA)**:

a. If the most recent actuarial valuation shows that Retirement System liabilities are at least 90% funded and the provision of the increase is not projected to cause the System's liabilities to be less than 85% funded, the GABA may increase from the 0.5% floor up to 1.5%, as set by the Board.

HB 377 increased revenue from the members, employers, and the State as follows:

- One-time contribution payable to the Retirement System by the trustees of a school district maintaining a retirement fund. The one-time contribution to the Retirement System shall be the amount earmarked as an operating reserve in excess of 20% of the adopted retirement fund budget for the fiscal year 2013. The amount received was $22 million in FY 2014.
- 1% supplemental employer contribution. This will increase the current employer rates:
    - School Districts contributions will increase from 7.47% to 8.47%.
    - The Montana University System and State Agencies will increase from 9.85% to 10.85%.
    - The supplemental employer contribution will increase by 0.1% each fiscal year for fiscal year 2014 thru fiscal year 2024. Fiscal years beginning after June 30, 2024, the total supplemental employer contribution will be equal to 2%.
- Members hired prior to July 1, 2013, (Tier One) under HB 377 are required to contribute a supplemental contribution equal to an additional 1% of the member's earned compensation.
- Each employer is required to contribute 9.85% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position to the System.

NOTE 1. TEACHERS' RETIREMENT SYSTEM (TRS) (CONTINUED)

Changes in actuarial assumptions and other inputs
The following changes to the actuarial assumptions were adopted in 2016:

- The normal cost method has been updated to align the calculation of the projected compensation and the total present value of plan benefits so that the normal cost rate reflects the most appropriate allocation of plan costs over future compensation.

The following changes to the actuarial assumptions were adopted in 2015:

- 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 Two 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.

The following changes to the actuarial assumptions were adopted in 2014:

- Assumed rate of inflation was reduced from 3.50% to 3.25%
- Payroll Growth Assumption was reduced from 4.50% to 4.00%
- Assumed real wage growth was reduced from 1.00% to 0.75%
- Investment return assumption was changed from net of investment and administrative expenses to net of investment expenses only.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:

  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.

NOTE 1. TEACHERS' RETIREMENT SYSTEM (TRS) (CONTINUED)

Changes in actuarial assumptions and other inputs (Continued)

- Mortality among disabled members was updated to the following:

  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.

Method and assumptions used in calculations of actuarially determined contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	26 years
Asset valuation method	4-year smoothed market
Inflation	3.25 percent
Salary increase	4.00 to 8.51 percent, including inflation for Non-University Members and 5.00% for University Members;
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation.

NOTE 2. PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (PERS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes:

NOTE 2. PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (PERS) (CONTINUED)

Changes of Benefit Terms (Continued)

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.

1) 3% for members hired prior to July 1, 2007
2) 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
3) Members hired on or after July 1, 2013
    - 1.5% 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.

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.

NOTE 2. PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (PERS) (CONTINUED)

Second Retirement Benefit - for PERS (Continued)

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%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULE OF FUNDING PROGRESS FOR OTHER POST
RETIREMENT BENEFITS PLAN
Year ended June 30, 2017

Schedule of Funding Progress for MSU's Other Post Retirement Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2011	$ -	$ 55,421,239	$ 55,421,239	0.00%	$183,870,217	30.14%
July 1, 2013	$ -	$ 49,869,358	$ 49,869,358	0.00%	$201,051,981	24.80%
July 1, 2015	$ -	$ 54,239,400	$ 54,239,400	0.00%	$207,301,264	26.16%

Other Post-Employment Benefits (OPEB) Trend Data

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

Actuarial Valuation Date	Interest Rate	Payroll Increase	Participant Percentage
July 1, 2011	4.25%	2.50%	55%
July 1, 2013	4.25%	2.50%	55%
July 1, 2015	4.25%	2.50%	50%

SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
RECONCILIATION OF FINANCIAL STATEMENT INCOME AND EXPENSE TO THE CORPORATION FOR PUBLIC BROADCASTING (CPB) REPORT
Year ended June 30, 2017

Total support and revenue per statement of revenues, expenses, and change in net position:

Operating revenue	$ 541,886
Non-operating revenue	1,305,963
	1,847,849
Less:	
Net investment income	(102,710)
Other revenue ineligible as NFFS	(35,722)
CPB Grant deduction	(198,601)
Total non-federal financial support per the CPB Report (Schedule of Non-Federal Financial Support)	$ 1,510,816

Total expense per statement of revenues, expenses, and change in net position:

Operating expenses	$ 1,687,099
Total expenditures per the CPB Report (Schedule E, line 8)	$ 1,687,099

anderson ZURMUEHLEN

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