



**YELLOWSTONE PUBLIC RADIO/
KEMC-FM**
(A Public Radio Entity)
Operated by the Montana State University-Billings
FINANCIAL REPORT
June 30, 2022



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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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, each major fund, and the 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, 2022, and related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

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 the Yellowstone Public Radio/KEMC-FM, as of June 30, 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Station and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2022, 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.

As discussed in Note 1 to the financial statements, the Station adopted Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Station's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Station's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Station's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Required Supplementary Schedules on pages 50 through 58, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's basic financial statements. The supplementary schedule on page 59 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Handwritten signature in black ink that reads "K Coe Isom, LLP". The signature is written in a cursive, flowing style.

Billings, Montana
February 9, 2023

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2022 and 2021

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 2022 and 2021.

Financial Summary

The financial statements show operating revenues of \$523,273 and \$638,431 and operating expenses of \$2,049,061 and \$2,445,780, netting to an operating loss of \$1,525,788 and \$1,807,349 for the years ended June 30, 2022 and 2021, respectively. This operating loss is offset by non-operating revenues of \$1,256,867 and \$2,286,542; bringing the change in net assets for fiscal years 2022 and 2021 to \$(268,921) and \$479,193, respectively.

The assets of Yellowstone Public Radio and Friends exceeded liabilities by \$2,093,502 and \$2,362,423 for fiscal year 2022 and 2021, respectively.

Yellowstone Public Radio and Friends cash and cash equivalents at June 30, 2022 and 2021 was \$930,013 and \$857,468, respectively, representing an increase of \$72,545 from June 30, 2021 and an increase of \$8,159 from June 30, 2020.

Capital Outlays for the years ended June 30, 2022 and 2021 was \$-0- and \$8,337, 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.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2022 and 2021

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		
	<u>2022</u>	<u>2021</u>
Assets and deferred outflows		
Current assets	\$ 1,129,765	\$ 1,062,196
Capital assets	58,831	111,085
Lease assets	241,820	-
Other assets	1,849,257	2,081,637
Deferred outflow of resources	<u>113,493</u>	<u>163,603</u>
Total assets and deferred outflows	<u>\$ 3,393,166</u>	<u>\$ 3,418,521</u>
Liabilities and deferred inflows		
Current liabilities	\$ 327,653	\$ 177,274
Long-term liabilities	650,125	803,969
Deferred inflow of resources	<u>319,412</u>	<u>74,855</u>
Total liabilities and deferred inflows	<u>1,297,190</u>	<u>1,056,098</u>
Net position		
Invested in capital assets, net of related debt	58,831	111,085
Unrestricted	193,997	170,825
Restricted - expendable	<u>1,843,148</u>	<u>2,080,513</u>
Total net position	<u>2,095,976</u>	<u>2,362,423</u>
Total liabilities, deferred inflows and net position	<u>\$ 3,393,166</u>	<u>\$ 3,418,521</u>

Current assets include cash and cash equivalents, accounts receivable, pledges receivable, and prepaid expense for programming costs. Current assets increased by \$67,569 primarily due to increases in accounts receivable, pledges receivable and prepaid expenses at fiscal year-end.

Capital assets include studio and broadcast equipment, transmitters, antennas, towers, vehicles and accumulated depreciation. Capital assets decreased by \$52,254 primarily due to an increase in accumulated depreciation at fiscal year-end.

Other assets include restricted cash equivalents, restricted investments and other investments. Other assets increased by \$232,380 primarily due to increases in restricted investments and restricted cash equivalents at fiscal year-end. Lease assets increased by \$241,820 because of the implementation of GASB 87.

Deferred outflows are related to pension liability and decreased by \$50,110.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2022 and 2021

Current liabilities include accounts payable and accrued expenses, unearned revenue, and the current portion of compensated absences. Current liabilities increased by \$150,379 primarily due to increase in unearned revenue.

Long-term liabilities include the amount of compensated absences liability estimated to be payable after a one-year period, lease liability, annuities obligation, as well as the Station's portion of the OPEB liability and pension liability. Long-term liabilities decreased by \$153,844 primarily due to a decrease in the Station's portion of the OPEB liability and pension liability.

Deferred inflows are related to pension liability and lease receivable and increased by \$247,031.

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 assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. The increase of \$20,698 was due to the net income in 2022.

Restricted, expendable net assets are funds that may only be expended in accordance with restrictions imposed by an external party. The decrease of \$237,365 was due to change in investment folio.

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.

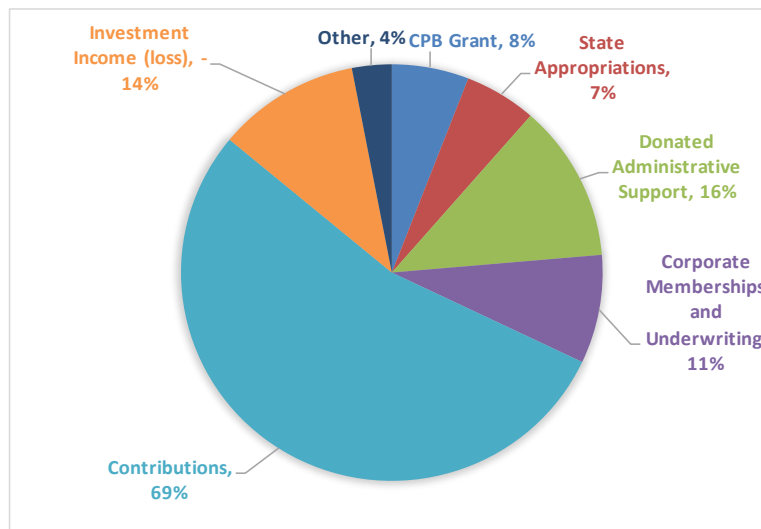
Condensed Statement of Revenues, Expenses, and Change in Net Position		
	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 523,069	\$ 638,431
Operating expenses	<u>2,046,383</u>	<u>2,445,780</u>
Operating loss	(1,523,314)	(1,807,349)
Non-operating revenues	<u>1,256,867</u>	<u>2,286,542</u>
Change in net position	<u>\$ (266,447)</u>	<u>\$ 479,193</u>

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2022 and 2021

Operating revenues consist primarily of donated administrative support from the University, corporate memberships and underwriting, and other operating revenues. The decrease of \$115,158 is primarily due to decrease in donated administrative support from the University and corporate memberships and underwriting.

Non-operating revenues consist primarily of contributions, investment income, CPB grant revenue and state appropriations. The decrease of \$1,029,675 is due to decrease in investment income and CPB Grant revenue.

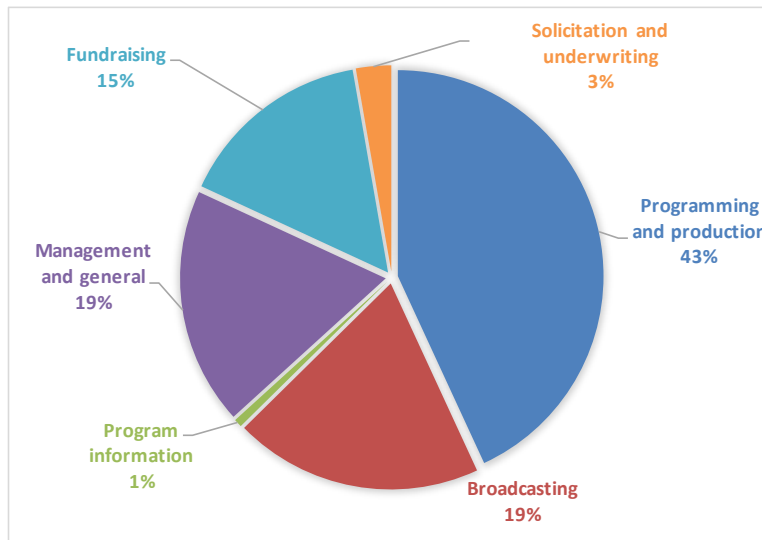
Revenue by Source



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 decrease of \$396,719 was due to decreases in all expenses.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2022 and 2021

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		
	<u>2022</u>	<u>2021</u>
Cash flows from:		
Operating activities	\$ (1,411,313)	\$ (1,823,459)
Non-capital financing activities	1,518,384	1,830,342
Capital financing activities	-	(8,337)
Investing activities	<u>(34,526)</u>	<u>9,613</u>
Net increase in cash and cash equivalents	72,545	8,159
Cash and cash equivalents, beginning of year	<u>857,468</u>	<u>849,309</u>
Cash and cash equivalents, end of year	<u>\$ 930,013</u>	<u>\$ 857,468</u>

Economic Outlook

KEMC expects to meet estimated fundraising revenues for FY2023. While we continue to have successful on-air fundraising weeks, concerns about the economy, the performance of the stock market, and inflation levels have taken a small toll on our fundraising efforts. Our continued targeting of specific cohorts through e-solicitations, acquisition mailings, and renewal reminders through our partnership with the Contributor Development Partnership (CDP) has helped to minimize any attrition on membership numbers due to economic uncertainty. Listener support for our regional news reporting remains strong, and we recently completed a program through the Poynter Institute and the Corporation for Public Broadcasting (CPB) designed to strengthen our digital offerings and outreach in social media, bolstering efforts to reach a new and younger demographic who can be leveraged for future donations.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Years Ended June 30, 2022 and 2021

Significant post-COVID underwriting gains remain elusive; however, with increased outreach to area businesses and new opportunities for sponsorship of YPR events in the communities we serve, YPR is confident that underwriting revenue will rebound. In the short term, YPR still has access to remaining funds from a CPB-issued economic stabilization grant to offset underwriting revenues if they do not meet FY2023 targeted goals.

FINANCIAL STATEMENTS

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
STATEMENT OF NET POSITION
June 30, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
ASSETS AND DEFERRED OUTFLOW				
CURRENT ASSETS				
Cash and cash equivalents	\$ 525,882	\$ 365,679	\$ 891,561	\$ 801,380
Accounts receivable	23,602	-	23,602	26,945
Pledges receivable	-	206,540	206,540	216,604
Prepaid expenses	<u>8,062</u>	<u>-</u>	<u>8,062</u>	<u>17,267</u>
Total current assets	<u>557,546</u>	<u>572,219</u>	<u>1,129,765</u>	<u>1,062,196</u>
CAPITAL ASSETS				
Studio and broadcast equipment	72,270	-	72,270	72,270
Transmission, antenna, tower	898,825	-	898,825	898,825
Vehicles	35,806	-	35,806	35,806
Accumulated depreciation	<u>(948,070)</u>	<u>-</u>	<u>(948,070)</u>	<u>(895,816)</u>
Total capital assets	<u>58,831</u>	<u>-</u>	<u>58,831</u>	<u>111,085</u>
LEASE ASSETS				
Lease receivable	139,403	-	139,403	-
Right to use lease assets	118,254	-	118,254	-
Accumulated amortization	<u>(15,837)</u>	<u>-</u>	<u>(15,837)</u>	<u>-</u>
Total lease assets	<u>241,820</u>	<u>-</u>	<u>241,820</u>	<u>-</u>
OTHER ASSETS				
Restricted cash equivalents	-	38,452	38,452	56,088
Restricted investments	-	1,702,443	1,702,443	1,920,945
Cash surrender value - life insurance	<u>-</u>	<u>108,362</u>	<u>108,362</u>	<u>104,604</u>
Total other assets	<u>-</u>	<u>1,849,257</u>	<u>1,849,257</u>	<u>2,081,637</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension adjustments	<u>113,493</u>	<u>-</u>	<u>113,493</u>	<u>163,603</u>
Total deferred outflow of resources	<u>113,493</u>	<u>-</u>	<u>113,493</u>	<u>163,603</u>
Total assets and deferred outflow	<u>\$ 971,690</u>	<u>\$ 2,421,476</u>	<u>\$ 3,393,166</u>	<u>\$ 3,418,521</u>

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, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
LIABILITIES, DEFERRED INFLOW, AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 67,553	\$ -	\$ 67,553	\$ 12,752
Unearned revenue	183,418	-	183,418	70,868
Current portion, compensated absences	61,553	-	61,553	93,654
Current portion, leases	15,129	-	15,129	-
Total current liabilities	<u>327,653</u>	<u>-</u>	<u>327,653</u>	<u>177,274</u>
LONG-TERM LIABILITIES				
Compensated absences, net of current portion	49,936	-	49,936	24,998
Long term leases	86,729	-	86,729	-
Annuities obligation	-	15,321	15,321	13,138
Net OPEB obligation	90,580	-	90,580	111,980
Pension liability	<u>407,559</u>	<u>-</u>	<u>407,559</u>	<u>653,853</u>
Total long-term liabilities	<u>634,804</u>	<u>15,321</u>	<u>650,125</u>	<u>803,969</u>
Total liabilities	<u>962,457</u>	<u>15,321</u>	<u>977,778</u>	<u>981,243</u>
DEFERRED INFLOW OF RESOURCES				
Leases	136,929	-	136,929	-
Pension adjustments	<u>182,483</u>	<u>-</u>	<u>182,483</u>	<u>74,855</u>
Total deferred inflow of resources	<u>319,412</u>	<u>-</u>	<u>319,412</u>	<u>74,855</u>
NET POSITION				
Net investment in capital assets	58,831	-	58,831	111,085
Unrestricted	(369,010)	563,007	193,997	170,825
Restricted, expendable	<u>-</u>	<u>1,843,148</u>	<u>1,843,148</u>	<u>2,080,513</u>
Total net position	<u>(310,179)</u>	<u>2,406,155</u>	<u>2,095,976</u>	<u>2,362,423</u>
Total liabilities, deferred inflow, and net position	<u>\$ 971,690</u>	<u>\$ 2,421,476</u>	<u>\$ 3,393,166</u>	<u>\$ 3,418,521</u>

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
Year Ended June 30, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
OPERATING REVENUES				
Donated facilities and direct and indirect administrative support from Montana State University - Billings	\$ 278,161	\$ -	\$ 278,161	\$ 322,366
Corporate memberships and underwriting	191,971	-	191,971	261,537
Other operating revenue	<u>52,937</u>	<u>-</u>	<u>52,937</u>	<u>54,528</u>
Total operating revenues	<u>523,069</u>	<u>-</u>	<u>523,069</u>	<u>638,431</u>
OPERATING EXPENSES				
Program services:				
Programming and production	882,111	-	882,111	944,400
Broadcasting	399,523	-	399,523	431,522
Program information	<u>12,996</u>	<u>-</u>	<u>12,996</u>	<u>1,500</u>
Total program services	<u>1,294,630</u>	<u>-</u>	<u>1,294,630</u>	<u>1,377,422</u>
Supporting services:				
Management and general	380,986	-	380,986	668,726
Fundraising	298,276	15,935	314,211	329,826
Solicitation and underwriting	<u>56,556</u>	<u>-</u>	<u>56,556</u>	<u>69,806</u>
Total supporting services	<u>735,818</u>	<u>15,935</u>	<u>751,753</u>	<u>1,068,358</u>
Total operating expenses	<u>2,030,448</u>	<u>15,935</u>	<u>2,046,383</u>	<u>2,445,780</u>
Operating loss	<u>(1,507,379)</u>	<u>(15,935)</u>	<u>(1,523,314)</u>	<u>(1,807,349)</u>

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, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
NON-OPERATING REVENUES (EXPENSES)				
CPB grants	134,613	-	134,613	475,654
Contributions - other	12,996	-	12,996	1,500
General appropriation from the University System	125,900	-	125,900	101,406
Investment income (loss)	-	(249,270)	(249,270)	391,994
Contributions - Friends	-	1,205,362	1,205,362	1,283,779
Pension revenue	10,877	-	10,877	32,209
Lease revenue	16,389	-	16,389	-
Receipt from affiliates	1,195,000	-	1,195,000	1,165,000
Payments to affiliates	-	(1,195,000)	(1,195,000)	(1,165,000)
Net non-operating revenues (expenses)	<u>1,495,775</u>	<u>(238,908)</u>	<u>1,256,867</u>	<u>2,286,542</u>
Change in net position	(11,604)	(254,843)	(266,447)	479,193
Net position, beginning of year	<u>(298,575)</u>	<u>2,660,998</u>	<u>2,362,423</u>	<u>1,883,230</u>
Net position, end of year	<u>\$ (310,179)</u>	<u>\$ 2,406,155</u>	<u>\$ 2,095,976</u>	<u>\$ 2,362,423</u>

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, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from corporate memberships	\$ 191,971	\$ -	\$ 191,971	\$ 261,537
Cash received from other operating sources	<u>334,441</u>	<u>-</u>	<u>334,441</u>	<u>365,010</u>
Cash received from operating activities	<u>526,412</u>	<u>-</u>	<u>526,412</u>	<u>626,547</u>
 Cash paid for operations	 1,141,211	 15,935	 1,157,146	 1,680,422
Cash paid for compensation and benefits	<u>780,579</u>	<u>-</u>	<u>780,579</u>	<u>769,584</u>
Cash paid for operating activities	<u>1,921,790</u>	<u>15,935</u>	<u>1,937,725</u>	<u>2,450,006</u>
 Net cash flows from operating activities	<u>(1,395,378)</u>	<u>(15,935)</u>	<u>(1,411,313)</u>	<u>(1,823,459)</u>
 CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions	23,873	1,215,426	1,239,299	1,253,283
Cash received from CPB grant	134,613	-	134,613	475,654
Cash received from Friends	1,195,000	-	1,195,000	1,165,000
Cash paid to the Station from Friends	-	(1,195,000)	(1,195,000)	(1,165,000)
Lease income	16,389	-	16,389	-
Cash received from appropriation	125,900	-	125,900	101,406
Annuity obligation	<u>-</u>	<u>2,183</u>	<u>2,183</u>	<u>(1)</u>
Net cash flows from non-capital and related financing activities	<u>1,495,775</u>	<u>22,609</u>	<u>1,518,384</u>	<u>1,830,342</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,337)</u>
Net cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,337)</u>

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, 2022
(with comparative totals as of June 30, 2021)

	2022			2021
	Yellowstone Public Radio	Friends of Public Radio, Inc.	Total	Combined Totals
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(79,377)	(79,377)	(24,169)
Proceeds from sale of investments	-	2,185	2,185	1,233
Investment income	-	42,666	42,666	32,549
Net cash flows from investing activities	-	(34,526)	(34,526)	9,613
Net change in cash and cash equivalents	100,397	(27,852)	72,545	8,159
Cash and cash equivalents, beginning of year	425,485	431,983	857,468	849,309
Cash and cash equivalents, end of year	<u>\$ 525,882</u>	<u>\$ 404,131</u>	<u>\$ 930,013</u>	<u>\$ 857,468</u>
AS PRESENTED IN THE ACCOMPANYING BALANCE SHEETS				
Cash and cash equivalents, unrestricted	\$ 525,882	\$ 365,679	\$ 891,561	\$ 801,380
Restricted cash equivalents	-	38,452	38,452	56,088
	<u>\$ 525,882</u>	<u>\$ 404,131</u>	<u>\$ 930,013</u>	<u>\$ 857,468</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss	\$ (1,507,379)	\$ (15,935)	\$ (1,523,314)	\$ (1,807,349)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation and amortization	68,091	-	68,091	57,774
Change in OPEB and pension liability	(267,694)	-	(267,694)	222,389
Change in pension adjustments	294,667	-	294,667	(46,288)
Lease receivable	(155,799)	-	(155,799)	
Change in operating assets:				
Accounts receivable	3,343	-	3,343	(11,884)
Prepaid expenses	9,205	-	9,205	(15,063)
Changes in operating liabilities:				
Accounts payable and accrued expenses	54,801	-	54,801	(171,885)
Deferred revenue	112,550	-	112,550	(54,985)
Compensated absences	(7,163)	-	(7,163)	3,832
Net cash flows from operating activities	<u>\$ (1,395,378)</u>	<u>\$ (15,935)</u>	<u>\$ (1,411,313)</u>	<u>\$ (1,823,459)</u>

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
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, Inc. 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, Inc. is provided by a Board of Directors consisting of various 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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.

New Accounting Pronouncement

The Station changed accounting policies related to leases by adopting GASB Statement No. 87, *Leases*. The Authority adopted the Statement effective July 1, 2021, which had no effect on the beginning net position since the deferred inflows equaled the amount of the lease receivable. The Statement enhances the relevance and consistency of information of the Authority's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. The Statement has a material impact on the Authority's statement of net position but did not have an impact on the statement of revenues, expenses, and changes in net position, nor the statement of cash flows.

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:

	<u>Years</u>
Studio and broadcast equipment	5
Transmission, antenna, tower	5 to 20
Vehicles	5

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 – non-expendable: Non-expendable 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.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

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 February 9, 2023, 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 local financial institutions. 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, 2022, bank accounts exceeded insured limits by \$154,131.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2022, is summarized below:

	June 30, 2021	Additions	Transfers	Retirements	June 30, 2021
Studio and broadcast equipment	\$ 72,270	\$ -	\$ -	\$ -	\$ 72,270
Transmission, antenna, tower	898,825	-	-	-	898,825
Vehicles	35,806	-	-	-	35,806
Accumulated depreciation	(895,816)	(52,254)	-	-	(948,070)
	<u>\$ 111,085</u>	<u>\$ (52,254)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,831</u>

For the year ended June 30, 2021, depreciation expense was charged to the broadcasting function in the amount of \$52,254.

NOTE 4. INVESTMENTS

Investments consist of securities within the Fund 2000 restricted term endowment and the Friends of Public Radio, Inc. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 4. INVESTMENTS (CONTINUED)

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

	Historical Cost	Level 1 Fair Value	Cumulative Unrealized Gain
Investments	\$ 1,534,932	\$ 1,702,443	\$ 167,511

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, 2022, using the segmented time distribution model is shown below:

Investment	Fair Value	Investment Maturities			
		Less Than 1 Year	1-5 Years	6-10 Years	Over 10 Years
U.S. Government Agencies	\$ 14,811	\$ -	\$ 14,811	\$ -	\$ -
Corporate Bonds	8,004	8,004	-	-	-
Fixed Income Bond Funds	582,837	582,837	-	-	-
Mutual Funds:					
Domestic	250,037	250,037	-	-	-
Foreign	202,598	202,598	-	-	-
Stocks:					
Domestic	492,466	492,466	-	-	-
Foreign	45,616	45,616	-	-	-
Real Estate	106,074	106,074	-	-	-
Total	<u>\$ 1,702,443</u>	<u>\$ 1,687,632</u>	<u>\$ 14,811</u>	<u>\$ -</u>	<u>\$ -</u>

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 below are the ratings for each investment type at June 30, 2022:

	Fair Value	AAA to Aa3	A1 to A3	Baa1 - Baa3	Unrated
U.S. Government Agencies	\$ 14,811	\$ 14,811	\$ -	\$ -	\$ -
Corporate Bonds	8,004	-	8,004	-	-
Fixed Income Bond Funds	582,837	-	-	-	582,837
Mutual Funds:					
Domestic	250,037	-	-	-	250,037
Foreign	202,598	-	-	-	202,598
Stocks:					
Domestic	492,466	-	-	-	492,466
Foreign	45,616	-	-	-	45,616
Real Estate	106,074	-	-	-	106,074
Total	<u>\$ 1,702,443</u>	<u>\$ 14,811</u>	<u>\$ 8,004</u>	<u>\$ -</u>	<u>\$ 1,679,628</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 4. INVESTMENTS (CONTINUED)

A paid-up life insurance policy was donated in a prior year in which Friends of Public Radio, Inc. is the beneficiary. The cash value of the policy at June 30, 2022, amounted to \$108,362 with a death benefit of \$147,417.

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	\$ 40,538
Unrealized losses	(357,051)
Realized gain	<u>67,243</u>
	<u>\$ (249,270)</u>

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.

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

	2022		
	TRS	PERS	Total
Net pension liability	\$ 24,485	\$ 383,074	\$ 407,559
Deferred outflows of resources	20,674	92,819	113,493
Deferred inflows of resources	7,749	174,734	182,483
Pension expense (including state share paid on behalf of the University)	8,828	21,115	29,943

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 5. PENSION PLANS (CONTINUED)

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

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. Benefits are established by state law and can only be amended by the Legislature.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and the 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-Defined Contribution Retirement Plan (DCRP) by filing an irrevocable election. Members may not be members of both the defined contribution and defined benefit retirement plans. All new members from the Station also have a third option to join the Montana University System Retirement Program (MUS-RP). For members that choose to join the PERS-DCRP or the MUS-RP, a percentage of the employer contributions is used to pay down the liability of the PERS-DBRP. A new employee of the Station who is already 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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.

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

- 1) Retired before January 1, 2016 and accumulate less than 2 years additional service credit or retired on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a. A refund of members' contributions plus return interest (currently 2.02% effective July 1, 2018).
 - b. No service credit for the second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retired before January 1, 2016 and accumulate at least 2 years of additional service credit:
 - a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retired on or after January 1, 2016 and accumulate 5 or more years of service credit:
 - a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

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 – 110% 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.

- 3.0% 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.

Contributions

The state legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.

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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employees who received special funding are all participating employees.

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions.

Overview of Contributions

Member and employer contribution rates are shown in the table below.

Fiscal Year	<u>Member</u>		<u>State &</u>	<u>Local Government</u>		<u>School Districts</u>	
	<u>Hired</u> <07/01/11	<u>Hired</u> >07/01/11	<u>Universities</u> Employer	Employer	State	Employer	State
2022	7.900%	7.900%	8.970%	8.870%	0.100%	8.600%	0.370%
2021	7.900%	7.900%	8.870%	8.770%	0.100%	8.500%	0.370%
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012-2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010-2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008-2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000-2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.

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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contribution rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - iii. The State contributed a Statutory Appropriation from the General Fund of \$34,290,660.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's total pension liability (TPL). The basis for the TPL as of June 30, 2021, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll-forward procedures. The roll-forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll-forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

The TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2021, and 2020, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid.

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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

			Percent of Collective NPL at June 30,		Increase (Decrease) in Percent of Collective NPL
	2022	2021	2022	2021	
The Station's proportionate share	\$ 383,074	\$ 621,271	0.022%	0.024%	-0.002%

Changes in Actuarial Assumptions and Methods:

The following changes in assumptions or other inputs were made that affected the measurement of the TPL:

1. The discount rate was lowered from 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in Benefit Terms:

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

Changes in Proportionate Share:

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

PERS Pension Expense

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

	2022
Station's proportionate share	\$ (9,333)
State of Montana proportionate share associated with the Station	30,448
Total	<u>\$ 21,115</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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:

	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,089	\$ 2,774
Differences between projected and actual earnings on pension plan investments	-	155,221
Change in assumptions	56,753	-
Change in proportionate share	-	16,739
*Contributions paid to PERS subsequent to the measurement date	<u>31,977</u>	<u>-</u>
Total	<u>\$ 92,819</u>	<u>\$ 174,734</u>

* 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, 2022.

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

	<u>Net Amount to be Recognized as an Increase or (Decrease) to Pension Expense</u>
2023	\$ (11,740)
2024	(15,149)
2025	(37,490)
2026	(49,550)
Thereafter	-

Actuarial Assumptions

The TPL in the June 30, 2021 actuarial valuation was determined on the results of an actuarial valuation date of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment Return (net of admin expense) 7.06%
- Admin Expense as % of Payroll 0.28%
- General Wage Growth* 3.50%
- *includes Inflation at 2.40%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

- Merit Increases 0% to 4.80%
- Postretirement Benefit Increases:
 1. Guaranteed Annual Benefit Adjustment (GABA) each January
 - After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage 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 between July 1, 2007 and June 30, 2013
 - Members hired on or after July 1, 2013:
 - (a) 1.5% for each year PERS is funded at or above 90%;
 - (b) The 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%;
 - (c) 0% whenever the amortization period for PERS is 40 years or more.

Mortality

- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP-2000 Combined Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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 established the contractually required rates under Montana Code Annotated. The state contributed 0.10% of salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed a statutory appropriation from the general fund. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021* Edition by Horizon Actuarial Service, LLC, yielding a median real return of 4.66%. The assumed inflation is based on the intermediate inflation assumption of 2.40% in the *2021 OASDI Trustees Report* used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the table below.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash	3.00%	0.11%
Domestic equity	30.00%	6.19%
International equity	17.00%	6.92%
Private investments	15.00%	10.37%
Real assets	5.00%	3.43%
Real estate	9.00%	5.74%
Core fixed income	15.00%	1.57%
Non-core fixed income	<u>6.00%</u>	3.97%
Total	<u>100.00%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the employer's sensitivity of the NPL to the discount rate in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
The Station's proportion of Net Pension Liability	\$ 608,202	\$ 383,074	\$ 194,396

PERS Disclosure for the Defined Contribution Plan

The Authority contributed to the state of Montana Public Employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

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NOTE 5. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Disclosure for the Defined Contribution Plan (Continued)

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2020, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

Pension Plan Fiduciary Net Position

The standalone financial statements of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

Teachers' Retirement System (TRS)

TRS Plan Description

Teachers' Retirement System (TRS or the System) is a mandatory-participation, 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.

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NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Plan Description (Continued)

The TRS Board is the governing body of the System, and the TRS staff administers the system in conformity with the laws set forth in Title 19, chapter 20 of the Montana Code Annotated, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the TRS web site at trs.mt.gov.

TRS Eligibility for Participation

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

TRS Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

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

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NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Summary of Benefits (Continued)

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 is a variable rate between 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded actuarial liability as determined in the prior actuarial valuation.

TRS Net Pension Liability

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

			Percent of Collective NPL at June 30,		Increase (Decrease) in Percent of Collective NPL
	2022	2021	2022	2021	
The Station's proportionate share	\$ 24,485	\$ 32,582	0.0015%	0.0014%	0.0001%

The NPL was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of TRS' participating employers. At June 30, 2022, the employer's proration was 0.1096 percent.

Changes in actuarial assumptions and other inputs:

Since the previous measurement date, the following changes to actuarial assumptions were made:

- The discount rate was lowered from 7.34% to 7.06%
- The investment rate of return assumption was lowered from 7.34% to 7.06%

Changes in benefit terms:

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

Changes in proportionate share:

There were no changes between the measurement date of the collective net pension liability and the reporting date. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension liability

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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 year ended June 30:

	<u>2022</u>
The Station's proportionate share	\$ 8,092
State of Montana proportionate share associated with the Station	<u>736</u>
Total	<u>\$ 8,828</u>

TRS Deferred Inflows and Outflows

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

	<u>2022</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual economic experience	\$ 385	\$ -
Changes in actuarial assumptions	2,791	13
Differences between projected and actual investment earnings	-	7,736
Difference between actual and expected contributions	5,792	-
*Contributions paid to TRS subsequent to the measurement date	<u>11,706</u>	<u>-</u>
Total	<u>\$ 20,674</u>	<u>\$ 7,749</u>

- * 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, 2023.

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NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Deferred Inflows and Outflows (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 <u>Pension Expense</u>
2023	\$ 3,566
2024	1,342
2025	(1,240)
2026	(2,457)
2027	-
Thereafter	-

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. TRS also receives 0.11% of reportable compensation from the State's general fund for State and University employers. Finally, the State is also required to contribute \$25 million annually to TRS in perpetuity, payable on July 1st of each year.

As of June 30, 2021, MCA 19-20-605 requires each employer to contribute 11.55% of total compensation paid to all re-employed TRS retirees employed in a TRS reportable position. Pursuant to MCA 19-20-609, this amount shall increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of re-employed retiree compensation.

TRS Actuarial Assumptions

The Total Pension Liability as of June 30, 2020, is based on the results of an actuarial valuation date of July 1, 2020. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of the last actuarial experience study, dated May 3, 2018. Among those assumptions were the following:

- Total Wage Increases* 4.25% for University members,
3.25%-7.76% for non-University
members
- Investment Return 7.06%
- Price Inflation 2.40%

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NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Actuarial Assumptions (Continued)

- 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 and Females: RP 2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years.
- Mortality among disabled members
 - For Males: RP 2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP 2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.

*Total Wage Increases include 3.25% general wage increase assumption.

TRS Discount Rate

The discount rate used to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. In addition to the contributions the State general fund will contribute \$25 million annually to TRS payable July 1st of each year. Based on those assumptions, the TRS fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. 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.

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NOTE 5. PENSION PLANS (CONTINUED)

Teachers' Retirement System (TRS) (Continued)

TRS Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Equity	15.00%	9.13%
Natural Resources	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	<u>3.00%</u>	-0.33%
	<u>100.00%</u>	

The long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2021 Edition* by Horizon Actuarial Service, LLC, yield a median real return of 4.94%. Assumed inflation is based on the intermediate inflation assumption of 2.4% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return on 7.06%.

TRS Sensitivity Analysis

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

	1.0% Decrease (6.06%)	Current Discount Rate (7.06%)	1.0% Increase (8.06%)
The Station's proportion of net pension liability	\$ 36,415	\$ 24,485	\$ 14,573

TRS Summary of Significant Accounting Policies

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>.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave. Following is the total of the Station's OPEB liabilities, deferred outflows and inflows related to OPEB, and the OPEB expense as reported in accordance with GASB Statement No. 75, for the fiscal year ended June 30, 2022.

	<u>2022</u>
Net OPEB liability	\$ 90,580
Deferred OPEB outflow of resources	-
Deferred OPEB inflows of resources	-
OPEB expense	21,400

Plan Description - The Montana University System (MUS) Group Health Insurance plan is administered by the Office of the Commissioner of Higher Education. The MUS provides optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Participants must elect to start medical coverage within 60 days of leaving employment. Coverage is effective the first day of the month following termination of employment. Medical, dental, and vision benefits are available through this defined benefit plan. The MUS OPEB plan is not administered through a trust; as such, no plan assets are eligible to be used to offset the total OPEB liability. The MUS group health insurance program operates in accordance with state law requiring it to be actuarially sound (20-25-1310, MCA) and have sufficient reserves to liquidate unrevealed claims liability and other liabilities.

The MUS OPEB plan is reported as single employer plan. The MUS pays for post-employment healthcare benefits on a pay-as-you-go basis from general assets from the MUS group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The MUS allows retirees to participate, as a group, at a rate that does not cover all of the related costs when retirees separated from the active participants in the group health insurance plan. This results in the reporting of the total OPEB liability in the related financial statements and note disclosures.

Employer Proportionate Share of Total OPEB Liability and Basis for Allocation

The total OPEB liability (TOL) was based on the actuarial valuation at December 31, 2021, with measurement date of March 31, 2022. The Station's proportion of the TOL was based upon the total participants in the group health insurance plan. The actuary report presents a valuation of the TOL assigned to each participant in the group health insurance plan.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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

Proportionate Share of Collective Total OPEB Liability

The Station's share of the total plan OPEB liability was as follows:

	2022		2021	
	OPEB Liability	OPEB Proportionate Share	OPEB Liability	OPEB Proportionate Share
Total OPEB Liability	\$ 90,580	0.18%	\$ 111,980	0.18%

OPEB Deferred Outflows of Resources and Deferred Inflows of Resources

The Station's OPEB plan deferred outflows and inflows of resources are from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions or other inputs	\$ -	\$ -
Differences between actual and expected contributions	-	-
Transactions subsequent to the measurement date*	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

- * Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be fully recognized in expense during the years ending June 30, as follows:

	Net Amount to be Recognized as an Increase or (Decrease) to OPEB Expense
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-

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

Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB Statement No. 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions being actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

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

Average Annual Contribution:		Retiree/ Surviving Spouse	Spouse	Actuarial Assumptions:	
Before Medicare eligibility		\$11,772	\$9,637	Discount Rate	2.75%
After Medicare eligibility		\$4,416	\$5,205		
Actuarial valuation date	December 31, 2020	Projected Payroll increases Participation:		2.5%	
Actuarial measurement date ⁽¹⁾	March 31, 2021	Future retirees		40%	
Actuarial cost method	Entry age normal funding method	Future eligible spouses		70%	
Amortization method	Level percent of pay	Marital status requirement		70%	
Remaining amortization period	20 years				
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75				

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

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

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

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

Actuarial Methods and Assumptions (Continued)

Changes in actuarial assumptions and methods since last measurement date: None.

Changes in benefit terms since last measurement date: Reduced carrier options to one.

Sensitivity of the TOL to Changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability if calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1.0% Decrease <u>5.0%</u>	Current Rate 6.0%	1.0% Increase <u>7.00%</u>
The Station's proportion of total OPEB liability	\$ 75,483	\$ 90,580	\$ 105,677

Sensitivity of the TOL to Changes in the Discount Rate

The following presents the Total OPEB Liability if calculated using the 20-year municipal bond rates that are 1-percentage-point lower or 1-percentage-point higher than the March 31, 2019 20-year municipal bond rate:

	1.0% Decrease <u>1.23%</u>	Current Rate 2.23%	1.0% Increase <u>3.23%</u>
The Station's proportion of total OPEB liability	\$ 49,961	\$ 90,580	\$ 131,199

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](http://afsd.mt.gov/CAFR/CAFR.asp) or by contacting the Montana Department of Administration, PO Box 200102, Helena MT 59620-0102.

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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; and (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, 2022, 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 \$44,426. An annuity obligation liability has been recorded in the amount of \$15,321 at June 30, 2022, 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, 2022, is summarized below:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
Compensated absences	\$ 118,652	\$ -	\$ (7,163)	\$ 111,489
Less - current portion	<u>(93,654)</u>	<u>32,101</u>	<u>-</u>	<u>(61,553)</u>
	<u>\$ 24,998</u>	<u>\$ 32,101</u>	<u>\$ (7,163)</u>	<u>\$ 49,936</u>
 Annuities obligation	 <u>\$ 13,138</u>	 <u>\$ 2,183</u>	 <u>\$ -</u>	 <u>\$ 15,321</u>
 OPEB obligation	 <u>\$ 111,980</u>	 <u>\$ -</u>	 <u>\$ (21,400)</u>	 <u>\$ 90,580</u>
 Pension obligation	 <u>\$ 653,853</u>	 <u>\$ -</u>	 <u>\$ (246,294)</u>	 <u>\$ 407,559</u>

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June 30, 2022

NOTE 9. LEASES

Transmitter Site Ground Leases

The Station maintains leases in certain real property for transmitter or translator sites. At June 30, 2022, the following leases were in effect:

Lease	Date	Expiration	Annual Lease Payment	Interest Rate	Total Lease Liability	Balance June 30, 2022
Miles City Tower-KYPR Land	03/01/2007	02/28/2027	\$ 420	4.85%	\$ 2,077	\$ 1,751
Forsyth Translator Land	02/14/2017	02/29/2024	3,890	2.50%	6,035	2,248
Land for Big Timber Tower	01/29/2018	01/29/2028	3,300	2.50%	19,990	17,157
Columbus Translator Land	01/18/2019	01/01/2029	1,200	3.15%	8,050	7,089
Lewistown Translator Land	09/25/2017	07/01/2027	1,125	2.50%	6,817	5,838
Land for Billings FM Tower	01/01/2016	12/31/2031	8,400	1.25%	75,285	67,775
					<u>\$ 118,254</u>	<u>\$ 101,858</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

	Principal	Interest	Total
07/01/2022 - 06/30/2023	\$ 15,129	\$ 1,641	\$ 16,770
07/01/2023 - 06/30/2024	13,161	1,353	14,514
07/01/2024 - 06/30/2025	13,448	1,102	14,550
07/01/2025 - 06/30/2026	13,743	844	14,587
07/01/2026 - 06/30/2027	13,905	580	14,485
Thereafter	<u>32,472</u>	<u>681</u>	<u>33,153</u>
	<u>\$ 101,858</u>	<u>\$ 6,201</u>	<u>\$ 108,059</u>

The table below summarizes the total amount of lease assets, related accumulated amortization and lease liabilities related to lessee leasing arrangements as of June 30, 2022:

Lease Assets:

Description	Beginning of the Year	Additions	Subtractions	End of the Year	Amounts Due Within One Year
Forsyth Translator	\$ 6,035	\$ -	\$ -	\$ 6,035	
Columbus Translator Land	8,050	-	-	8,050	
Miles City Tower - KYPR Land	2,077	-	-	2,077	
Land for Big Timber Tower	19,990	-	-	19,990	
Land for Billings FM Tower	75,285	-	-	75,285	
Lewistown Translator Land	<u>6,817</u>	<u>-</u>	<u>-</u>	<u>6,817</u>	
TOTAL	118,254	-	-	118,254	
Less - accumulated depreciation	-	(15,837)	-	(15,837)	
Total Lease Assets, net	<u>\$ 118,254</u>	<u>\$ (15,837)</u>	<u>\$ -</u>	<u>\$ 102,417</u>	
Lease liabilities	<u>\$ 118,254</u>	<u>\$ -</u>	<u>\$ (16,396)</u>	<u>\$ 101,858</u>	<u>\$ 15,129</u>

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June 30, 2022

NOTE 9. LEASES (CONTINUED)

Lessor Disclosures

The Station rents out space on two towers and is reporting lease receivable and lease revenue as below:

	<u>Begin</u>	<u>End</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
KEMC Tower Space	12/01/2005	11/30/2025	\$ 105,748	\$ 12,341	\$ 4,235
Tower Space on KBMC Tower	09/01/2005	08/31/2025	<u>33,655</u>	<u>4,048</u>	<u>1,350</u>
			<u>\$ 139,403</u>	<u>\$ 16,389</u>	<u>\$ 5,585</u>

The table below details the total amount of future receipts related to leases as follows:

<u>For the Years Ending June 30,</u>	<u>Principal (Deferred Inflows)</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 16,389	\$ 5,047	\$ 21,436
2024	16,389	4,488	20,877
2025	16,389	3,908	20,297
2026	16,389	3,305	19,694
2027	16,389	2,679	19,068
Thereafter	<u>54,984</u>	<u>4,094</u>	<u>59,078</u>
	<u>\$ 136,929</u>	<u>\$ 23,521</u>	<u>\$ 160,450</u>

NOTE 10. RELATED PARTY TRANSACTIONS AND IN-KIND CONTRIBUTIONS

During the year ended June 30, 2022, the Station received \$1,195,000 in monetary support from Friends of Public Radio, Inc.

The following in-kind contributions were recorded in the Station's financial statements for the year ended June 30, 2022:

University indirect administrative support	<u>\$ 278,161</u>
Total related party in-kind contributions	278,161
Other in-kind contributions, eligible for NFFS	<u>12,996</u>
Total	<u>\$ 291,157</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2022

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.

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, Inc. at least annually. The value of the fund at June 30, 2022 was \$109,945.

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.

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June 30, 2022

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

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.

NOTE 14. RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption to the Station. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Therefore, the Station expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. Management is carefully monitoring the situation as it continues to evolve.

REQUIRED SUPPLEMENTARY INFORMATION

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30, 2022

Teachers' Retirement System (TRS)

	2022	2021	2020	2019	2018	2017	2016
The Station's proportion of the net pension liability	0.0015%	0.0014%	0.0015%	0.0021%	0.0014%	0.0013%	0.0010%
The Station's proportionate share of the net pension liability	\$ 24,485	\$ 32,582	\$ 29,924	\$ 38,835	\$ 35,992	\$ 23,813	\$ 17,541
The Station's covered-employee payroll	\$ 16,730	\$ 15,718	\$ 16,593	\$ 21,952	\$ 22,145	\$ 13,164	\$ 10,674
Station's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.35%	207.29%	180.34%	176.91%	162.53%	180.89%	164.33%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.01%	70.09%	66.69%	69.30%

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

Public Employees' Retirement System (PERS)

	2022	2021	2020	2019	2018	2017	2016
The Station's proportion of the net pension liability	0.02113%	0.02357%	0.02246%	0.02317%	0.02571%	0.02642%	0.03346%
The Station's proportionate share of the net pension liability	\$ 383,074	\$ 621,271	\$ 469,228	\$ 483,669	\$ 538,284	\$ 449,598	\$ 467,996
The Station's covered-employee payroll	\$ 368,312	\$ 396,040	\$ 366,300	\$ 376,713	\$ 350,467	\$ 312,699	\$ 385,820
Station's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.01%	156.87%	128.10%	128.39%	153.59%	143.78%	121.30%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%

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

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SCHEDULES OF CONTRIBUTIONS
Year Ended June 30, 2022

Teachers' Retirement System (TRS)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 11,727	\$ 8,928	\$ 11,224	\$ 11,661	\$ 10,982	\$ 5,943	\$ 4,303	\$ 3,369
Contributions in relation to the contractually required contributions	11,727	8,928	11,224	11,661	10,982	5,943	4,303	3,369
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
The Station's covered-employee payroll	16,730	15,718	16,593	21,952	22,145	13,164	10,674	8,990
Contributions as a percentage of covered-employee payroll	70.10%	56.80%	67.64%	53.12%	49.59%	45.15%	40.31%	37.47%

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

Public Employees' Retirement System (PERS)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 31,749	\$ 36,768	\$ 35,695	\$ 29,249	\$ 30,035	\$ 26,567	\$ 31,975	\$ 31,952
Contributions in relation to the contractually required contributions	31,749	36,768	35,695	29,249	30,035	26,567	31,975	31,952
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
MSU-Billings' covered-employee payroll	\$ 368,312	\$ 396,040	\$ 366,300	376,713	350,467	312,699	385,820	386,360
Contributions as a percentage of covered-employee payroll	8.6200%	9.2838%	9.7447%	7.7643%	8.5700%	8.4960%	8.2875%	8.2700%

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

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022

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 five 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 five 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
 - 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.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2022

Teachers' Retirement System (TRS) (Continued)

Changes of Benefit Terms (Continued)

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:

- Annual State contribution equal to \$25 million paid to the System in monthly installments.
- 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 1) 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.

Changes in Actuarial Assumptions and Other Inputs

The following changes to the actuarial assumptions were adopted in 2020:

- The discount rate was lowered from 7.50% to 7.34%.
- The investment rate of return assumption was lowered from 7.50% to 7.34%.
- The inflation rate was reduced from 2.50% to 2.40%.

The following changes to the actuarial assumptions were adopted in 2019:

- The GABA for Tier Two members include a variable rate between 0.50% and 1.50% as determined by the Board. Since an increase in the amount of the GABA is not automatic and must be approved by the Board, the assumed increase was lowered from 1.50% to the current rate of 0.50% per annum.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
(A PUBLIC RADIO ENTITY)
OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2022

Teachers' Retirement System (TRS) (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued)

The following changes to the actuarial assumptions were adopted in 2018:

- Assumed rate of inflation was reduced from 3.25% to 2.50%.
- Payroll growth assumption was reduced from 4.00% to 3.25%.
- Investment return assumption was reduced from 7.75% to 7.50%.
- Wage growth assumption was reduced from 4.00% to 3.25%.
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
 - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback two years.
 - The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
 - For Males: RP2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
 - For Females: RP2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated.
- Termination rates were updated.
- Rates of salary increased were updated.

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 2 Members.
- The 0.63% load applied to the projected retirement benefits of the university members "to account for larger than average annual compensation increases observed in the years immediately preceding retirement" is not applied to benefits expected to be paid to university members on account of death, disability and termination prior to retirement eligibility.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2022

Teachers' Retirement System (TRS) (Continued)

Changes in Actuarial Assumptions and Other Inputs (Continued)

- 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.
- 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.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2022

Teachers' Retirement System (TRS) (Continued)

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	29 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 to 7.76 percent, including inflation for Non-University Members and 4.25% for University Members
Investment rate of return	7.50 percent, net of pension plan investment expense, and including inflation

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

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

2017:

Working Retiree Limitation – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive on lump-sum payment.

Interest Credited to Member Accounts

Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-Sum Payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
Year Ended June 30, 2022

Public Employees' Retirement System (PERS) (Continued)

Disabled PERS Defined Contribution (DC) Members

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2016 Experience Study:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 8.47%
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Mortality (healthy members)	For males and females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (disabled members)	For males and females: RP 2000 Combined Mortality Table
Admin expenses as % of payroll	0.30%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

YELLOWSTONE PUBLIC RADIO/KEMC-FM
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OPERATED BY MONTANA STATE UNIVERSITY-BILLINGS
SCHEDULE OF UNIVERSITY'S PROPORTIONATE SHARE
OF THE TOTAL OPEB LIABILITY
Year Ended June 30, 2022

OPEB

The MUS OPEB plan has not established a trust to accumulate employer contributions; as such, net assets are not considered irrevocable, legally required to be used to provide OPEB to plan members, or protected from creditors.

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

Measurement Year	University's Proportion of the OPEB Liability	University's Share of the OPEB Liability	University's Covered Employee Payroll	University's share of the OPEB Liability as a % of Covered Employee Payroll	Plan Fiduciary Net Position as a % of Total OPEB Liability
2018	48.92%	\$ 18,130,942	\$ 225,842,121	8.03%	0.00%
2019	54.44%	\$ 20,363,797	\$ 225,896,948	9.01%	0.00%
2020	53.22%	\$ 15,052,050	\$ 239,454,928	6.29%	0.00%
2021	53.68%	\$ 32,324,640	\$ 247,082,152	13.08%	0.00%

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

Note to Required Supplementary Information-OPEB

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. Changes to the plan that affect trends will be reported as they occur in the future.

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, 2022

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

Operating revenue	\$ 523,069
Non-operating revenue	<u>1,256,867</u>
	1,779,936
Less:	
Net realized and unrealized investment losses	289,808
Other revenue ineligible as NFFS	(80,203)
CPB Grant deduction	<u>(134,613)</u>
Total non-federal financial support per the CPB Report (Schedule of Non-Federal Financial Support)	<u>\$ 1,854,928</u>

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

Operating expenses	<u>\$ 2,046,383</u>
Total expenditures per the CPB Report (Schedule E, line 8)	<u>\$ 2,046,383</u>