

KVSC RADIO 88.1 FM

AN ENTERPRISE FUND OF ST. CLOUD UNIVERSITY

St. Cloud, Minnesota

Financial Statements
Including Independent Auditors' Report

For the years ended June 30, 2017 and 2016

Prepared by:

Business Services
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KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of KVSC Radio 88.1 FM (KVSC), an enterprise fund of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the KVSC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to KVSC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KVSC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of KVSC as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows, were applicable, thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only KVSC Radio 88.1 FM and do not purport to, and do not, present fairly the financial position of Saint Cloud State University or Minnesota State Colleges and Universities as of June 30, 2017 and 2016, the changes in its financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2018, on our consideration of KVSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KVSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSC's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 5, 2018



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Minnesota State Colleges and Universities
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KVSC Radio 88.1 FM (KVSC), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise KVSC's basic financial statements, and have issued our report thereon dated January 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KVSC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KVSC's internal control. Accordingly, we do not express an opinion on the effectiveness of KVSC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KVSC’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KVSC’s internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KVSC’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

The following discussion and analysis provide an overview of the financial position and activities of KVSC RADIO 88.1 FM (KVSC), an enterprise fund of St. Cloud State University (the university) at June 30, 2017, 2016 and 2015, and for the years then ended. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnotes, which follow this section.

KVSC is an educational public radio station licensed to St. Cloud State University. The mission of KVSC is three-fold: To provide students and volunteers with practical professional experience in operating an FM radio station, to keep listeners informed with quality, community-based programming with an emphasis on local issues and events coverage, and to provide listeners with musical programming which is a diverse alternative to other music formats in the broadcast market. To that end, KVSC provides an outlet for musical styles not found elsewhere in the community, a forum for discussion of current political trends and social issues, award-winning news, sports and information segments, multi-cultural programming to meet the needs of a more ethnically diverse community and free radio broadcast training.

The station broadcasts with 16,500 watts of power providing a listening radius of approximately 70 miles. In September 2017 KVSC established a partnership with KMOJ 89.9 in Minneapolis. KVSC's broadcast signal is now available on KMOJ HD3. The partnership is an effort to expand KVSC's listener base in the Minneapolis-St. Paul market to reach new listeners, alumni and potential listener members. The station is operated by students and community volunteers and is on the air 365 days per year, 24 hours per day. The on air hosts and deejays are entirely staffed by volunteers, roughly 7,300 hours total with another 1,000+ hours volunteered at sports or remote/community event broadcasts. Other than the station's professional employees consisting of a station manager, operations director and two grant funded part-time employees, the station is staffed by student workers in all areas of station operations including programming, production, news, sports, music, marketing, online content management, engineering, etc. All of these students and community volunteers gain invaluable experience in the many different aspects of radio broadcasting and multi-platform media.

KVSC is *Your Sound Alternative* offering a blend of alternative rock, Minnesota music, folk, world, blues, Native American music and much more. In addition, KVSC offers special and expanded features on its website, KVSC.org, including additional online news and cultural affairs content, live audio streaming and downloadable podcasts of popular content. KVSC has expanded its community outreach and engagement events to include Granite City Radio Theatre in collaboration with the Pioneer Place Theatre in St. Cloud. The program, in its sixth year, features local musicians, writers and actors performing a 2-hour live audience and live radio broadcast. The series is funded through 2019 with funds from the Minnesota Arts and Cultural Heritage Legacy grant. Additionally, KVSC underwrites, promotes and programs an annual concert each spring in St. Cloud at local venues and has expanded its remote event participation to include local parades, organizing and hosting two 50th anniversary concerts and making appearances at the Summertime by George concert series, a popular community event each summer. Lastly, KVSC began a new partnership with the University Program Board in 2017 to co-promote and produce "Open Mic Night" in an effort to connect with university students. The relationship with UPB is one KVSC hopes to foster with future events.

KVSC is a member station of the Association of Minnesota Public Educational Radio Stations (AMPERS), an association of Diverse Radio for Minnesota's Communities. AMPERS, comprised of 18 stations in Minnesota, provides stations with fundraising and statewide network underwriting opportunities, production and program sharing, new media/technology updates and advocacy at the state and national levels.

Trivia weekend is KVSC's biggest campus and community event of the year. It was created to alleviate Minnesota's infamous cabin fever and debuted in 1980 with 25 teams participating, consisting mostly of teams of students. The sophistication of the event has grown and in 2017 Trivia weekend attracted 57 teams, several of which now play via the Internet from various parts of the country. KVSC expanded its efforts to reach high school and college-based teams. As an enticement to attract younger players, high school teams can compete for free and college teams can register for half the cost of community teams. Longstanding teams continue to join forces to become "super teams" of 25-60 players per team. Trivia weekend is annually scheduled for the second weekend of February and begins on Friday at 5 p.m. Participating teams endure 50 hours of non-stop trivia questions representing a broad range of categories including: movies, pop culture, sports, science and history. Each year, a different theme is chosen to pay homage to a popular movie, novel or pop-culture phenomena. In 2017, there were 32 trivia answer hotlines staffed by volunteers and UTVS-Television provided live video telecast coverage of the entire event. There were approximately 200 alumni, students, and community members who volunteered their time and effort to make this event a success. Approximately 60 St. Cloud and Greater Minnesota businesses show their support for the event with funding and/or food donations to provide sustenance for the volunteers.

FINANCIAL HIGHLIGHTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$67,099 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Comparability between fiscal years will have variances due to this new accounting standard and will be explained throughout the management discussion and analysis.

Excluding the GASB Statement No. 68 pension adjustment, fiscal year 2017 net position declined \$25,989 or 19.6 percent. This decrease was in part the result of decreased underwriting revenues and the depreciation of station equipment. With GASB Statement No. 68, net position decreased \$54,332, or 67.2 percent.

Assets and deferred outflows totaled \$394,243 and liabilities and deferred inflows totaled \$367,710. Net position, which represents the residual interest in KVSC's assets and deferred outflows after liabilities and deferred inflows are deducted, is comprised of net investments in capital assets of \$65,666 and unrestricted net position of negative \$39,133.

USING THE FINANCIAL STATEMENTS

KVSC's financial report includes three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. These financial statements are prepared in accordance with applicable generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) through authoritative pronouncements.

STATEMENTS OF NET POSITION

The statement of net position presents the financial position of KVSC at the end of the fiscal year and includes all assets and deferred outflows and liabilities and deferred inflows as measured using the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows – net position – is one indicator of the current financial condition of

KVSC, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost less an allowance for depreciation, with current year depreciation reflected as a period expense on the Statements of Revenues, Expenses and Changes in Net Position.

A summary of KVSC's statements of net position as of June 30, 2017, 2016 and 2015 are as follows:

	As of June 30		
	2017	2016	2015
Current assets	\$ 178,889	\$ 164,077	\$ 176,404
Noncurrent assets	65,666	81,453	97,616
Deferred outflows of resources	149,688	4,498	3,216
Total assets and deferred outflows of resources	<u>394,243</u>	<u>250,028</u>	<u>277,236</u>
Current liabilities	91,284	71,763	84,918
Noncurrent liabilities	259,466	68,631	67,929
Deferred inflows of resources	16,960	28,769	35,443
Total liabilities and deferred inflows of resources	<u>367,710</u>	<u>169,163</u>	<u>188,290</u>
Net position	<u>\$ 26,533</u>	<u>\$ 80,865</u>	<u>\$ 88,946</u>

Total current assets increased by \$14,812 due primarily to an increase in cash of \$15,902, an increase of funds held by others of \$9,404 and an increase in accounts receivable of \$7,443 as grants receivable decreased \$17,861. Prepaid assets and net pledges receivable also decreased by a combined \$76 during fiscal year 2017.

Liabilities consist primarily of accrued compensation and unearned federal and state grant revenue, which represents amounts received in advance of providing services. Unearned revenue increased \$25,343 in fiscal year 2017. Payables decreased \$6,512 due to normal differences in the timing of payments made, this represents a decrease in accounts payable of \$5,062 and a decrease in salaries payable of \$1,450 in fiscal year 2017. Other compensation benefits, consisting of compensated absences and other post-employment benefits, increased by \$690 for fiscal year 2017.

Noncurrent liabilities increased by \$190,835 due to a substantial increase in net pension liability of \$185,252 and an increase in other non-current compensation benefits of \$5,583. Deferred inflows of \$16,960 are the amounts in the calculation of pension expense determined by the actuary that will be required to be recognized over more than one year and is primarily due to GASB Statement No. 68.

Net position represents the residual interest in KVSC's assets and deferred outflows after liabilities and deferred inflows are deducted. KVSC's net position as of June 30, 2017, 2016 and 2015, respectively, are summarized as follows:

	Net Position at June 30		
	2017	2016	2015
Net investment in capital assets	\$ 65,666	\$ 81,453	\$ 97,616
Unrestricted	<u>(39,133)</u>	<u>(588)</u>	<u>(8,670)</u>
Total net position	<u>\$ 26,533</u>	<u>\$ 80,865</u>	<u>\$ 88,946</u>

Investment in capital assets represents KVSC's investments in broadcasting equipment with original cost exceeding the capitalization thresholds as outlined in Note 1, net of accumulated depreciation. Unrestricted net position is not subject to externally imposed stipulations. As shown in the table above, total net position has decreased by \$54,332 from fiscal year 2016 to fiscal year 2017.

CAPITAL ACTIVITIES

With office and studio facilities provided by the university, capital outlays by KVSC are comprised primarily of investments in broadcasting equipment. Capital assets, net of accumulated depreciation, as of June 30, 2017, totaled \$65,666, a decrease of \$15,787 from June 30, 2016. The decrease consisting of depreciation recognized during fiscal year 2017.

Since the university's capitalization threshold increased to \$10,000 on July 1, 2008, management acknowledges that most additions and upgrades will not exceed this threshold and as such will be recognized as operating expenses.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statements of Revenues, Expenses and Changes in Net Position represent KVSC's results of operations for the year. When reviewing the full statement, users should note that GASB requires classification of federal and state grants, listener donations and contributions, and appropriations from the university as non-operating revenue.

A summary table of the information contained in the statements of revenues, expenses and changes in net position follows:

	For the years ended June 30		
	2017	2016	2015
Operating revenues:			
Student fees	\$ 37,335	\$ 37,335	\$ 35,218
Underwriting	67,621	72,280	83,791
Other income	12,249	11,918	12,938
Total operating revenues	<u>117,205</u>	<u>121,533</u>	<u>131,947</u>
Nonoperating revenues:			
University provided support	368,726	374,772	380,012
Contributions – listener support	46,632	42,333	39,251
Grants from the Corp. for Public Broadcasting	69,155	110,904	110,956
Grants from the State of Minnesota	130,805	144,443	143,655
Total nonoperating revenues	<u>615,318</u>	<u>672,452</u>	<u>673,874</u>
Total revenues	<u>732,523</u>	<u>793,985</u>	<u>805,821</u>
Operating expenses:			
Salaries and benefits	374,868	328,738	329,584
Supplies and services	180,889	216,717	184,279
Depreciation	15,787	16,163	17,245
In-kind expenses	187,019	215,977	218,008
Other expenses	28,292	24,471	40,895
Total operating expenses	<u>786,855</u>	<u>802,066</u>	<u>790,011</u>
Change in net position	<u>(54,332)</u>	<u>(8,081)</u>	<u>15,810</u>
Net position, beginning of year	<u>80,865</u>	<u>88,946</u>	<u>140,235</u>
Change in accounting principle	<u>—</u>	<u>—</u>	<u>(67,099)</u>
Net position, beginning of year, as restated	<u>80,865</u>	<u>88,946</u>	<u>73,136</u>
Net position, end of year	<u>\$ 26,533</u>	<u>\$ 80,865</u>	<u>\$ 88,946</u>

The university is the primary source of revenue for KVSC, providing 50% of total revenues in fiscal year 2017. The university provides state appropriations to fund a full-time station manager, an operations manager, two graduate assistantships and the utilities for the leased tower and transmitter facility. The university also provides in-kind contributions consisting of facilities and administration.

Underwriting revenues are received as either cash exchange transactions or as non-cash/in-kind transactions. In-kind underwriting revenues include various types of contributions including concert tickets and certificates to be awarded to random call-in contest winning listeners or those individuals pledging membership sponsorship, or trivia weekend sponsorships that provide food, prizes and beverage to the many volunteers working that weekend. KVSC has also received other miscellaneous goods and services such as being listed as an event sponsor online and in programs and bus advertising in exchange for underwriting.

Cash exchange underwriting revenues decreased by \$3,178 to \$15,825 in fiscal year 2017. Underwriting received from AMPERS selling to clients on behalf of KVSC decreased from \$6,999 in fiscal year 2016 to \$4,131 in fiscal year 2017 as the association lost several of its larger clients this year. In addition, revenues generated by KVSC decreased as the student Marketing Director this year, responsible for securing new underwriting partners, was available fewer hours per week than is preferred. Non-cash/in-kind underwriting revenues also decreased \$1,481 to \$51,796 in fiscal year 2017. Overall underwriting revenues decreased by \$4,659 during fiscal year 2017.

This year's increase in other income can be attributed to an increase in concert gate receipts due to popular musicians and a sold out 50th anniversary concert.

In addition to the Fall and Spring Listener Membership Fundraising campaigns KVSC has contracted with Vehicle Donation Services, a third party business, to help secure the value of vehicle donations on behalf of the station. In fiscal year 2017 the station received \$1,001 in donated vehicle value.

The Corporation for Public Broadcasting (CPB) awarded KVSC a Community Service Grant of \$94,686 for fiscal year 2017. The CPB restricts approximately 26% of the funds, requiring that they be expended towards national program acquisition or distribution of station produced content. KVSC has used these funds to invest in access to the Public Radio Satellite System, Content Depot, ENCO digital audio storage software/hardware, Public Radio International and Native Voice One for programming, Public Radio Exchange (PRX) and specialized content such as StarDate, Counterspin and other content available via the national marketplace.

KVSC secured a cumulative Arts and Cultural Heritage Legacy grant of \$190,235 for fiscal years 2016 and 2017. These funds have been used to fund two part-time positions. Additionally, the outcome of grant support from the Minnesota Arts and Cultural Heritage Fund has resulted in continued growth in community awareness and support at events programmed by KVSC. Management has been building on these successful new events including concerts, radio theatre, arts and culture speaker series which have advanced KVSC's profile with the campus and off-campus communities. This includes two concerts, a spoken word/speaker event and four productions of Granite City Radio Theatre as examples. Also, the regional feature program called "Untold Stories of Central Minnesota" continues to be produced for on air broadcast and online podcast.

Biennially, the Minnesota State Legislature appropriates funding for community service and equipment awards to public broadcasting entities. The state distributes the appropriated funding equally to eligible AMPERS member stations. KVSC received a state operational grant of \$24,500 and an equipment grant of \$7,313 in fiscal year 2017. These funds are used by KVSC to pay for equipment, tower rental, student stipends, telephone line fees, supplies and other expenses.

KVSC provides pro bono studio space, technical and programming support to RadioX 97.5 (KVEX), St. Cloud Area Somali Salvation Organization (SASSO) and Minnesota State Services for the Blind. RadioX started in January of 2015 as a student-run Alt 90's station broadcasting to an audience within 10 miles of St. Cloud. SASSO received its low power FM license and began broadcasting over the air

as KZYS-LP 105.1FM in August 2015 and is also simulcast as a web streaming service. KVSC, in a partnership with the Minnesota State Services for the Blind, provides support for community volunteers reading daily and weekly newspapers, serving more than 400 visually impaired people in the area.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

To meet the challenges of the future, KVSC continues to take into account many influences outside its control. The health of the national, state and local economy, for example, can have a significant impact on funding available for public radio from a broad range of sources including the Corporation for Public Broadcasting, state grants, private giving and university support. As student enrollment at the university has decreased in the last six years, the university faces an ongoing challenge in maintaining adequate state appropriation funding in fiscal years 2018, 2019, and beyond.

KVSC received its first federal Radio Community Service Grant from the Corporation for Public Broadcasting (CPB) in fiscal year 2009. As has been the case the past several years, there is a possibility of further rescission to CPB appropriations in upcoming measures funding federal government operations during the upcoming fiscal year. The CPB awarded KVSC a Community Service Grant of \$91,483 for fiscal year 2018.

The Minnesota Department of Administration awards Minnesota Arts and Cultural Heritage Legacy funds providing for a variety of arts and culture content. This includes a Celebrating Minnesota Music concert, Granite City Radio Theatre and Untold Stories of Central Minnesota, which is a locally produced radio program and podcast. The two-year grant awarded this year for \$184,055 was budgeted as \$91,500 for fiscal year 2018 and \$92,555 for fiscal year 2019.

The Minnesota State Legislature appropriated funding for community service and equipment grants for the fiscal year 2018-2019 biennium. The fiscal year 2018 allocation to KVSC includes a state community service grant of \$23,058 and an equipment grant of \$6,882 with similar funding for fiscal year 2019. The pattern has been for the Legislature to award more funding in the first year of the biennium than in the second, returning organizations to a lower starting point for determining the upcoming biennium so KVSC will remain cognizant of the possibility of an unallotment of future funding.

KVSC has enjoyed success with listener membership fundraising campaigns; however, we remain mindful of the fact that revenue that is dependent on the giving ability of its membership will fluctuate with economic and social conditions. The strength of KVSC's programming, the success of past membership fundraising campaigns and the existence of a solid audience listenership and membership base are important foundations to build on as KVSC looks to maintain and grow the revenue needed to support its operating and capital programs. KVSC will continue to look to non-traditional revenue sources, such as the vehicle donation program in place, to augment a more challenging effort to raise listener contributions due to the increased competition for audience by digital content providers.

While it is not possible to predict the ultimate results, management believes that KVSC's financial condition will remain strong.

REQUESTS FOR INFORMATION

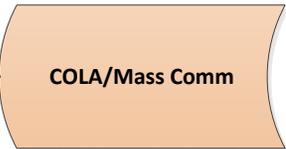
This financial report is designed to provide a general overview of KVSC's finances for all those with an interest in the stations finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Station Manager
KVSC Radio
720 Fourth Avenue South, SH27
St. Cloud, MN 56301-4498

KVSC 88.1 FM Organizational Flow Chart



Station Manager
Jo McMullen-Boyer



Project Coordinator
Alex Hartman

Director of Operations
Jim Gray

ACHF Producer
Jeff Carmack

Chief Engineer
Ryan Brandt

Program Director
Billy Schneider (F)

Marketing Director
Tiffany Clements

Program Asst.
Jim Houston

Marketing Asst.
Gabe Anderson

Sports Director
Dante Smith
Dan Papp

News Director
Korina Borash

Music Director
Chris Giuliano

Production Director
Megan Loken

Training Director
Libbie Hein

Traffic Director
Megan Loken

Asst. Sports Directors
A.J. Hendrickson
Justin Hobson (H. PBP)

Asst. News Director
Mitchel Barnhart
Spencer Schacht

Music Assistants
Clifton Parks
Andy Valenty

Asst. Prod Dir
Tyler VersbonCoeur
Paul Thorson

Asst. Training Dir.
TBD

Online Services & Social Media Dir.
Bella Jorgensen

Monday Night Live
Engineer Ryan Brandt(F)
Producer = ORMD
Host/Booking = Ryan Brandt & TBD

KVSC Announcers & Volunteers

Workstudy Students
Jack Nieters
James Thao
Mason Olinger

Fall `16 & Spring `17
As of 4/27/16

**KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2017 AND 2016**

Assets	2017	2016
Current Assets		
Cash and cash equivalents	\$ 66,148	\$ 50,246
Funds held by third party - St. Cloud State University Foundation	62,833	53,429
Accounts and grants receivable	38,309	48,727
Pledges receivable, net	1,221	1,174
Prepaid assets	10,378	10,501
Total current assets	<u>178,889</u>	<u>164,077</u>
Noncurrent Assets		
Capital assets, net	<u>65,666</u>	<u>81,453</u>
Total Assets	<u>244,555</u>	<u>245,530</u>
Deferred Outflows of Resources	<u>149,688</u>	<u>4,498</u>
Total Assets and Deferred Outflows of Resources	<u>394,243</u>	<u>250,028</u>
Liabilities		
Current Liabilities		
Accounts payable	4,968	10,030
Salaries payable	11,938	13,388
Other compensation benefits	5,111	4,421
Unearned grant revenue	69,267	43,924
Total current liabilities	<u>91,284</u>	<u>71,763</u>
Non-Current Liabilities		
Other compensation benefits	46,942	41,359
Net pension liability	212,524	27,272
Total non-current liabilities	<u>259,466</u>	<u>68,631</u>
Total Liabilities	<u>350,750</u>	<u>140,394</u>
Deferred Inflows of Resources	<u>16,960</u>	<u>28,769</u>
Total Liabilities and Deferred Inflows of Resources	<u>367,710</u>	<u>169,163</u>
Net Position		
Net investment in capital assets	65,666	81,453
Unrestricted	<u>(39,133)</u>	<u>(588)</u>
Total Net Position	<u>\$ 26,533</u>	<u>\$ 80,865</u>

The notes are an integral part of the financial statements.

**KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Student service fees	\$ 37,335	\$ 37,335
Underwriting	67,621	72,280
Other income	12,249	11,918
Total operating revenues	<u>117,205</u>	<u>121,533</u>
Operating Expenses		
Program Services		
Programming and production	233,461	210,477
Broadcasting and engineering	148,873	223,860
Program information and promotion	67,651	46,733
Total program services	<u>449,985</u>	<u>481,070</u>
Support Services		
Fundraising and membership development	60,093	51,168
Underwriting and grant solicitation	31,037	25,082
Management and general	245,740	244,746
Total support services	<u>336,870</u>	<u>320,996</u>
Total operating expenses	<u>786,855</u>	<u>802,066</u>
Operating loss	<u>(669,650)</u>	<u>(680,533)</u>
Nonoperating Revenues		
Appropriation from St. Cloud State University	228,226	212,072
Donated facilities and administrative from St. Cloud State University	135,222	154,420
Other St. Cloud State University support	5,278	8,280
Contributions - listener support	46,632	42,333
Grants from the Corporation for Public Broadcasting	69,155	110,904
Grants from the State of Minnesota	130,805	144,443
Total nonoperating revenues	<u>615,318</u>	<u>672,452</u>
Change in net position	(54,332)	(8,081)
Net Position, Beginning of Year	<u>80,865</u>	<u>88,946</u>
Net Position, End of Year	<u>\$ 26,533</u>	<u>\$ 80,865</u>

The notes are an integral part of the financial statements.

KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Student service fees received	\$ 37,335	\$ 37,939
Cash received for underwriting	13,629	20,880
Other revenue received	8,741	11,918
Cash payments for employees	(341,595)	(336,622)
Cash paid to suppliers for goods or services	<u>(211,681)</u>	<u>(236,288)</u>
Net cash flows used in operating activities	<u>(493,571)</u>	<u>(502,173)</u>
Cash Flows from Noncapital and Related Financing Activities		
General appropriation from St. Cloud State University	226,378	210,665
Contributions received - listener support	34,742	44,414
Other St. Cloud University support	5,278	-
Grants from the Corporation for Public Broadcasting	94,686	96,083
Grants from the State of Minnesota	<u>148,389</u>	<u>148,183</u>
Net cash flows from noncapital and related financing activities	<u>509,473</u>	<u>499,345</u>
Net Change in Cash and Cash Equivalents	15,902	(2,828)
Cash and Cash Equivalents, Beginning of Year	50,246	53,074
Cash and Cash Equivalents, End of Year	<u>\$ 66,148</u>	<u>\$ 50,246</u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (669,650)	\$ (680,533)
Adjustments to Reconcile Operating Loss to Net Cash Flows used in Operating Activities		
Depreciation	15,787	16,163
Donated facilities and administrative expense	135,222	154,420
Other donated university support expense	-	8,280
Write off uncollectible pledges	2,440	3,129
Deferred outflows of resources	(145,190)	(1,282)
Deferred inflows of resources	(11,809)	(6,674)
Change in assets and liabilities		
Accounts and grants receivable	(5,507)	2,283
Prepaid asset	123	(50)
Accounts payable	(5,062)	1,823
Salaries payable	(1,450)	(284)
Other compensation benefits	6,273	1,205
Net pension liability	<u>185,252</u>	<u>(653)</u>
Net reconciling items to be added to operating loss	<u>176,079</u>	<u>178,360</u>
Net cash flow used in operating activities	<u>\$ (493,571)</u>	<u>\$ (502,173)</u>
Supplemental disclosure of noncash noncapital and related financing activities		
Change in funds held by St. Cloud State University Foundation	\$ 9,404	\$ (4,674)
Donated facilities and administrative revenue	135,222	154,420
Other St. Cloud State University support revenue	-	8,280

The notes are an integral part of the financial statements.

**KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Financial Reporting Entity — KVSC RADIO 88.1 FM (KVSC) is an enterprise fund of the St. Cloud State University (the university) and is located in Stewart Hall on the university campus in St. Cloud, Minnesota. KVSC operates under control of the university through the Office of University Marketing and Communications and utilizes assets, the title to which is vested in the university. The assets, deferred outflows, liabilities, deferred inflows, revenues, expenses, and changes in net position of KVSC are included in the consolidated financial statements of the university and have been identified and segregated from the books of the university for these financial statements. KVSC reports annually to the Corporation for Public Broadcasting.

Minnesota State Colleges and Universities (Minnesota State) is an agency of the state of Minnesota and receives appropriations from the state legislature. The university receives a portion of Minnesota State's state appropriation. Economic support for KVSC from the university is committed on a year-to-year basis for salaries and operating expenses not provided through other sources. General appropriation support has been approved through June 30, 2017.

KVSC also has an ongoing relationship with the St. Cloud State University Foundation (the foundation). Membership pledges and other contribution revenues are managed through the foundation. The foundation provides banking services by receiving and investing contributions and making disbursements at the direction of KVSC management.

Basis of Presentation — The reporting policies of KVSC conform to generally accepted accounting principles (GAAP) in the United States, as prescribed by the Governmental Accounting Standards Board (GASB). The statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows include financial activities of KVSC and do not extend to the university as a whole or any other university organization or department.

Basis of Accounting — The basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. The accompanying financial statements have been prepared as a special purpose government entity engaged in business type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. Eliminations have been made to minimize the double-counting of internal activities.

Tax Status — As part of the university, KVSC is exempt from income taxes under Section 115 of the Internal Revenue code although certain activities may be subject to federal unrelated business income tax.

New Accounting Standards — In June, 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense. For defined benefit other postemployment benefits (OPEB), the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to the actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Statement No. 75 is effective for the fiscal year beginning July 1, 2017.

The effect GASB Statement No. 75 will have on the fiscal year 2018 financial statements has not yet been determined.

In November, 2016 the GASB issued Statement No. 83, *Certain Assets Retirement Obligations*, which establishes accounting and financial reporting for certain asset retirement obligations. Statement No. 83 is effective for the fiscal year beginning July 1, 2018. The effect GASB Statement No. 83 will have on the fiscal year 2019 financial statements has not yet been determined.

In March, 2017 the GASB issued Statement No. 85, *Omnibus 2017*, which establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Statement No. 85 is effective for the fiscal year beginning July 1, 2017. The effect GASB Statement No. 85 will have on the fiscal year 2018 financial statements has not yet been determined.

In June, 2017 the GASB issued Statement No. 87, *Leases*, which establishes accounting and financial reporting for leases by lessees and lessors. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Statement No. 87 is effective for the fiscal year beginning July 1, 2020. The effect GASB Statement No. 87 will have on the fiscal year 2021 financial statements has not yet been determined.

Cash and Cash Equivalents — The cash balance represents cash in the state treasury and demand deposits in local bank accounts as well as cash equivalents. Cash equivalents are short-term, highly liquid investments having original maturities (remaining time to maturity at acquisition) of three months or less. Cash and cash equivalents may include amounts in demand deposits, savings accounts, cash management pools, repurchase agreements, and money market funds.

Receivables — Receivables are shown net of an allowance for uncollectible amounts.

Capital Assets — Capital assets are recorded at cost or, for donated assets, at fair value at the date of acquisition. Such assets are depreciated or amortized on a straight-line basis over the useful life of the assets. The estimated useful life of KVSC equipment ranges from five years to ten years.

Equipment includes all items with an original cost of \$10,000 and over.

Long-Term Liabilities — Long-term liabilities include compensated absences, net other postemployment benefits and net pension liability.

Compensated Absences — Accumulated unpaid vacation and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Revenue Classifications — KVSC has classified revenues as operating and non-operating based upon the following criteria:

Operating Revenues — Operating revenues as reported in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. KVSC considers student service fees, underwriting and other revenue to be exchange transactions.

Non-Operating Revenues — Non-operating revenues represent non-exchange activities. The primary sources of non-operating revenues are appropriations from St. Cloud State University, contributions, Corporation for Public Broadcasting (CPB) grants and other non-exchange grants and contracts.

Although KVSC relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms.

Unearned Revenue — Unearned revenue consists primarily of amounts received from grants and underwriting sponsors that have not yet been earned.

Pledges and Contributions — KVSC receives pledges and bequests of financial support from corporations, foundations and primarily individuals. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollectible pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history and type of collection.

Underwriting Revenues — Underwriting revenue is received from corporate sponsors, non-profit organizations, and university departments and units for on-air credit announcements. KVSC recognizes underwriting revenue as those credits are aired, deferring any revenue related to unaired credits.

In-Kind Contributions — Donated goods and in-kind trade activity are recorded as revenues and expenses at fair market value at the date of donation or activity. Donated goods and in-kind trade activity of \$187,018 and \$215,977 are included in revenues and expenses in the statement of revenues, expenses and changes in net position for the years ended June 30, 2017 and 2016, respectively.

For fiscal year ended June 30		
	2017	2016
University facilities and administration	\$ 135,222	\$ 154,420
Tower and transmitter utilities	-	8,280
Underwriting	51,796	53,277
Total non-cash/in-kind revenues/expenses	<u>\$ 187,018</u>	<u>\$ 215,977</u>

Donated facilities from the university consist of office and studio space, together with related occupancy costs and are recorded as revenues and expenses at estimated fair rental values. Administrative support from the university consists of allocated finance, human resources, technology, student development, and certain other expenses incurred by the university on behalf of KVSC.

KVSC receives numerous donations of miscellaneous goods and services from area businesses in exchange for underwriting.

Use of Estimates — To prepare the basic financial statements in conformity with generally accepted accounting principles management must make estimates and assumptions. These estimates and assumptions may 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 reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses — Expenses by function have been allocated among program and supporting service classifications on the basis of estimates made by management.

Deferred Outflows and Deferred Inflows of Resources — Deferred outflows of resources represent the consumption of net position by KVSC in one period that is applicable to future periods. Deferred inflows of resources represent the acquisition of net position that is applicable to future periods. Deferred outflows and inflows are related to defined benefit pension plans. See Note 9 for further information.

Defined Benefit Pensions — For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to and deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of the employer payroll paid dates and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The actuarially derived net pension liability, deferred outflows, and deferred inflows of resources can vary between years due to actuarial assumption changes, which can result in significant variability between years.

Net Position — The difference between assets and deferred outflows and liabilities and deferred inflows is net position. Net position is further classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, if any, construction or improvement of those assets.
- *Restricted expendable:* Net position subject to externally imposed stipulations.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations. Although unrestricted net position is not subject to externally imposed stipulations, KVSC’s unrestricted net position has been designated by management for various programs and initiatives, as well as capital projects.

2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents — All balances related to the state appropriation and all state or federal grants funds received by KVSC are held by the university in the state treasury. Balances related to student service fees and underwriting or other miscellaneous sales are held by the university in a local bank.

Minnesota Statute, Section 118A.03, requires that university held deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the state’s name by an agent of the state. This statute further requires that such insurance and collateral shall be at least 10 percent greater than the amount on deposit.

Cash and Cash Equivalents at June 30		
Carrying Amount	2017	2016
University held in state treasury	\$ 66,148	\$ 50,246
Foundation held in local account	62,833	53,429
Total cash and cash equivalents	\$ 128,981	\$ 103,675

The university’s balance in the state treasury is invested by the Minnesota State Board of Investment (SBI) as part of the state investment pool. All investments managed by SBI are governed by Minnesota Statutes, Chapters 11A and 356A. Interest income earned on pooled investments is retained by the Minnesota State system office and allocated to the colleges and universities as part of the appropriation allocation process.

The university’s excess cash in the local bank is swept nightly to purchase interest bearing cash equivalents. Interest income on these pooled investments is retained by the university and allocated at university discretion.

Custodial Credit Risk — Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, KVSC will not be able to recover the value of the investments that are in the possession of an outside party. Board procedure 7.5.1 requires university compliance with Minnesota Statutes, Section 118A.03 and further excludes the use of FDIC insurance when meeting collateral requirements.

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university’s policy for reducing its exposure to credit risk is to comply with Minnesota Statutes, Section 118A.04 which limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2017 and 2016, the university’s debt securities were rated equivalent to Standard and Poor’s AA or higher.

Concentration of Credit Risk — Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The university’s policy for reducing this risk of loss is to comply with board procedure 7.5.1 which recommends investments be diversified by type and issuer.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The university complies with board procedure 7.5.1 that recommends considering fluctuation interest rates and cash flow needs when purchasing short-term and long-term investments.

3. ACCOUNTS RECEIVABLE

The accounts receivable balances are made up primarily of appropriations and student fees due from the university and grants receivable. As such, an allowance for uncollectible receivables is considered to be negligible.

Summary of Accounts Receivable at June 30		
	2017	2016
University	\$ 9,431	\$ 7,781
Underwriting income	3,146	861
Ticket sales	3,508	-
Grants receivable	22,224	40,085
Accounts receivable	<u>\$ 38,309</u>	<u>\$ 48,727</u>

4. PLEDGES RECEIVABLE

The pledges receivable balances are made up primarily of pledges received directly by KVSC from individuals during the annual Fall and Spring membership drives. Membership drive pledges are generally collected within a month or two following the drive. Membership pledges remaining receivable in excess of one year are deemed uncollectible by management.

The foundation also collects pledges directly from donors, primarily from individuals, on behalf of KVSC. Pledges received by the foundation are minimal and the percentage deemed uncollectible is negligible.

Summary of Pledges Receivable at June 30

	2017	2016
Spring 2017 membership drive	\$ 2,208	\$ -
Fall 2016 membership drive	445	-
Spring 2016 membership drive	-	1,617
Fall 2015 membership drive	-	1,388
Foundation held pledges	50	157
Total pledges receivable	<u>2,703</u>	<u>3,162</u>
Allowance for uncollectible pledges	<u>(1,482)</u>	<u>(1,988)</u>
Net pledges receivable	<u>\$ 1,221</u>	<u>\$ 1,174</u>

The allowance for uncollectible pledges has been computed based on the following schedule:

Fiscal Year 2017			Fiscal Year 2016		
Membership Drive	Allowance Amount	Allowance Percentage	Membership Drive	Allowance Amount	Allowance Percentage
Spring 2017	\$ 1,104	50	Spring 2016	\$ 808	50
Fall 2016	378	85	Fall 2015	1,180	85
Total	<u>\$ 1,482</u>		Total	<u>\$ 1,988</u>	

5. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2017 and 2016 follow:

Year Ended June 30, 2017				
	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, depreciated:				
Equipment	\$ 251,077	\$ -	\$ 45,127	\$ 205,950
Total capital assets, depreciated	<u>251,077</u>	<u>-</u>	<u>45,127</u>	<u>205,950</u>
Less accumulated depreciation:				
Equipment	169,624	15,787	45,127	140,284
Total accumulated depreciation	<u>169,624</u>	<u>15,787</u>	<u>45,127</u>	<u>140,284</u>
Total capital assets, net	<u>\$ 81,453</u>	<u>\$ (15,787)</u>	<u>\$ -</u>	<u>\$ 65,666</u>
Year Ended June 30, 2016				
	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, depreciated:				
Equipment	\$ 271,330	\$ -	\$ 20,253	\$ 251,077
Total capital assets, depreciated	<u>271,330</u>	<u>-</u>	<u>20,253</u>	<u>251,077</u>
Less accumulated depreciation:				
Equipment	173,714	16,163	20,253	169,624
Total accumulated depreciation	<u>173,714</u>	<u>16,163</u>	<u>20,253</u>	<u>169,624</u>
Total capital assets, net	<u>\$ 97,616</u>	<u>\$ (16,163)</u>	<u>\$ -</u>	<u>\$ 81,453</u>

6. ACCOUNTS PAYABLE

Accounts payable represent amounts due for goods and services received prior to the end of the fiscal year.

Summary of Accounts Payable at June 30		
	2017	2016
Purchased services	\$ 3,734	\$ 1,124
Supplies	253	5,216
Repairs and Maintenance	-	3,631
Other expense	981	59
Total	\$ 4,968	\$ 10,030

7. LEASE AGREEMENTS

Operating Lease — KVSC has leased antenna tower and transmitter facility space from TJ Communications, Inc. since 1992. Negotiations to renew this operating lease agreement for an additional term of five years, commencing July 1, 2017, are ongoing.

Total rent expense under the operating lease for the years ended June 30, 2017 and 2016 were \$9,213 and \$8,859, respectively.

8. OTHER COMPENSATION BENEFITS

Summaries of amounts due within one year are reported in the current liability section of the statements of net position.

Summaries of other compensation benefits for fiscal years 2017 and 2016 follow:

Year Ended June 30, 2017					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 37,781	\$ 9,953	\$ 4,421	\$ 43,313	\$ 5,111
Net other postemployment benefits	7,999	1,565	824	8,740	-
Total other compensation benefits	\$ 45,780	\$ 11,518	\$ 5,245	\$ 52,053	\$ 5,111
Year Ended June 30, 2016					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 37,609	\$ 5,033	\$ 4,861	\$ 37,781	\$ 4,421
Net other postemployment benefits	6,966	2,139	1,106	7,999	-
Total other compensation benefits	\$ 44,575	\$ 7,172	\$ 5,967	\$ 45,780	\$ 4,421

Compensated Absences — University employees accrue vacation leave, sick leave, and compensatory leave at various rates within limits specified in the collective bargaining agreements. The liability for compensated absences is payable as severance pay under specific conditions. This leave is liquidated only at the time of termination from state employment.

Net Other Postemployment Benefit — Other postemployment benefits are health insurance benefits for certain retired employees under a single employer fully insured plan. Under the health benefits program retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. KVSC liability has been estimated by calculating a percentage of KVSC employees vs. university employees as a pro-rata share of the total university other postemployment benefits liability.

Net Pension Liability — The net pension liability of \$212,524 and \$27,272 at June 30, 2017 and 2016, respectively, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 9 to the financial statements provides additional information.

9. EMPLOYEE PENSION PLANS

KVSC participates in the State Employees Retirement Fund administered by the Minnesota State Retirement System and the Minnesota State Colleges and Universities Defined Contribution Retirement Plan.

State Employees Retirement Fund (SERF)

Plan Description -The State Employees Retirement Fund (SERF) is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352 and 356. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan, and three single-employer defined benefit plans. All state of Minnesota employees who are not members of another plan are covered by the General Plan.

Benefits Provided - MSRS provides retirement, disability, and death benefits through the State Employees Retirement Fund. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefits are based on a member's age, years of credit, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January, and are related to the funded ratio of the plan. Annuitants receive benefit increases of 2.0 percent each year. When the fund reaches a 90 percent funded status for two consecutive years, annuitants will receive a 2.5 percent increase.

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.2 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.7 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.7 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Contributions – Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.50 percent of their annual covered salary in fiscal years 2017 and 2016. KVSC’s contribution to the General Plan for the fiscal years ending June 30, 2017 and 2016 were \$2,758 and \$2,613, respectively. These contributions were equal to the contractually required contributions for each year as set by state statute.

Actuarial Assumptions - KVSC’s net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2016	June 30, 2015
Inflation	2.50 percent per year	2.75 percent per year
Active member payroll growth	3.25 percent per year	3.50 percent per year
Investment rate of return	7.50 percent	7.90 percent

Salary increases for the June 30, 2016 valuation were equal to prior year administrative expenses expressed as a percentage of prior year projected payroll. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees were assumed to be 2.0 percent per annum.

Salary increases for the June 30, 2015 valuation were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 generational mortality tables for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees were assumed to be 2.0 percent per annum through 2043 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2014, with an update of economic assumptions in 2014. Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.50 percent. This is a reduction of the assumed rate of 7.90 percent at June 30, 2015. The selection of the rate was determined by looking at the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI). During fiscal year 2016, the SBI hired an outside consultant to perform a thorough asset and liability study. Based on the study the asset allocation was updated. The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best estimates of expected future real rates of return are developed for each major asset class.

These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

Asset Class	Target Percentage	SBI's Long Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic stocks	45	5.50
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	100	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2016 and 2015, was 4.17 percent and 7.90 percent, respectively. As of June 30, 2016, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan fiduciary net position as of June 30, 2016 and future contributions were sufficient to finance the benefit payments through 2042. As a result, the long-term expected rate of return on pension plan assets was applied to projected benefit payments through 2042, and the municipal bond rate was applied to all benefit payments after the point of asset depletion. The discount rate at June 30, 2016 was based on the expected rate of return on pension plan investments of 7.50 percent and a municipal bond rate of 2.85 percent, resulting in a single discount rate of 4.17 percent.

As of June 30, 2015, the projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015 was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return of 7.90 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - At June 30, 2017 and 2016, KVSC reported a liability of \$212,524 and \$27,272, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. KVSC's proportion of the net pension liability was based on the employer contributions received by MSRS during the measurement periods July 1, 2015 through June 30, 2016 and July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2017 and 2016, KVSC's proportion was 0.002 percent.

There have been no changes in plan provisions since the previous valuation.

Changes were made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2043 and 2.5 percent thereafter to 2.0 percent for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 4.17 percent. Salary increases, retirement, termination, disability, mortality, percent married, and benefit election assumptions were changed pursuant to the experience study. The assumed future salary increases, payroll growth, and inflation were decreased by a further 0.25 percent from those assumptions.

Pension Liability Sensitivity - The following presents KVSC's proportionate share of the net pension liability, calculated using the discount rate disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that one percentage point lower or one percentage point higher than the current discount rate:

Proportionate Share of Net Pension Liability		
Year Ended June 30, 2017		
(In Thousands)		
One Percent Decrease in Discount Rate (3.17%)	Discount Rate (4.17%)	One Percent Increase in Discount Rate (5.17%)
\$ 280,202	\$ 212,524	\$ 158,112

Proportionate Share of Net Pension Liability		
Year Ended June 30, 2016		
(In Thousands)		
One Percent Decrease in Discount Rate (6.90%)	Discount Rate (7.90%)	One Percent Increase in Discount Rate (8.90%)
\$ 55,826	\$ 27,272	\$ 3,510

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the MSRS Comprehensive Annual Financial Report, available on the MSRS website at www.msrs.state.mn.us/financial-information.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the years ended June 30, 2017 and 2016, KVSC recognized an increase in pension expense of \$31,011 and a reduction in pension expense of \$6,193, respectively, related to pensions. At June 30, 2017 and 2016, KVSC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year Ended June 30, 2017 (In Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 9,353	\$ -
Changes in actuarial assumptions	135,908	10,129
Contributions paid to MSRS subsequent to the measurement date	2,758	-
Differences between expected and actual economic experience	291	5,374
Changes in proportion	1,378	1,457
Total	\$ 149,688	\$ 16,960

	Year Ended June 30, 2016 (In Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ -	\$ 5,607
Changes in actuarial assumptions	-	15,704
Contributions paid to MSRS subsequent to the measurement date	2,613	-
Differences between expected and actual economic experience	-	7,458
Changes in proportion	1,885	-
Total	\$ 4,498	\$ 28,769

Amounts reported as deferred outflows of resources related to pensions resulting from KVSC's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

(In Thousands)	
Fiscal Year	Amount
2018	\$ 28,159
2019	28,159
2020	36,837
2021	36,815
Total	\$ 129,970

Minnesota State Defined Contribution Retirement Fund

General Information — The Minnesota State Defined Contribution Retirement Fund include two plans: an Individual Retirement Account Plan and a Supplemental Retirement Plan. Both plans are mandatory, tax deferred, single employer, defined contribution plans authorized by Minnesota Statutes, Chapters 354B and 354C. The plans are designed to provide retirement benefits to Minnesota State unclassified employees. An unclassified employee is one who belongs to Minnesota State specific bargaining units. The plans cover unclassified teachers, librarians, administrators, and certain other staff. The plans are mandatory for qualified employees and vesting occurs immediately. The administrative agent of the two plans is Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). Separately issued financial statements can be obtained from TIAA CREF, Normandale Lake Office Park, 8000 Norman Center Drive, Suite 1100, Bloomington, MN 55437.

Individual Retirement Account Plan (IRAP)

Participation — Every employee who is in unclassified service is required to participate in TRF or IRAP upon achieving eligibility. An unclassified employee is one who serves in a position deemed unclassified according to Minnesota Statutes. This includes presidents, vice presidents, deans, administrative or service faculty, teachers and other managers, and professionals in academic and academic support programs. Eligibility begins with the employment contract for the first year of unclassified service in which the employee is hired for more than 25 percent of a full academic year, excluding summer session. An employee remains a participant of the plan even if employed for less than 25 percent of a full academic year in subsequent years.

Contributions — There are two member groups participating in the IRAP, a faculty group and an administrators group. For both faculty and administrators, the employer and employee statutory contribution rates are 6.0 percent and 4.5 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for KVSC were:

Fiscal Year	Employer	Employee
2017	\$ 6,934	\$ 5,200
2016	6,647	4,985
2015	6,609	4,957

Supplemental Retirement Plan (SRP)

Participation — Every unclassified employee who has completed two full time years of unclassified service with Minnesota State Colleges and Universities must participate upon achieving eligibility. The eligible employee is enrolled on the first day of the fiscal year following completion of two full time years. Vesting occurs immediately and normal retirement age is 55.

Contributions — Participants contribute 5 percent of the eligible compensation up to a defined maximum annual contribution as specified in the following table.

Member Group	Eligible Compensation	Maximum Annual Contributions
Minnesota State University Association of Administrative & Service Faculty	\$6,000 to 50,000	2,200

KVSC matches amounts equal to the contributions made by participants. The contributions are made under the authority of Minnesota Statutes, Chapter 354C.

Required contributions for KVSC were as follows:

Fiscal Year	Amount
2017	\$ 3,654
2016	3,574
2015	3,495

10. RISK MANAGEMENT

The university, and KVSC, is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; error or omissions; and employer obligations. Property and casualty coverage is required by Minnesota State policy, the university manages these risks through state of Minnesota insurance plans including the state of Minnesota Risk Management Fund and through purchased insurance coverage. Automobile liability coverage is required by the state and is also provided by the Minnesota Risk Management Fund. The university participates in the State Employee Group Insurance Plan, which provides life insurance and hospital, medical, and dental benefits coverage through provider organizations.

Minnesota State self-insures for workers' compensation, assessing premiums to institutions based on salary dollars and claims history to provide a pool from which all workers' compensation claims are paid to the state Workers' Compensation Fund. In addition, catastrophic claims are covered through state participation in the Workers' Compensation Reinsurance Association. The state of Minnesota Department of Employee Relations manages the self-insured workers' compensation claims activities. The reported liability for workers' compensation is based on claims filed for injuries to state employees occurring prior to the fiscal year end, and is an undiscounted estimate of future payments.

**KVSC RADIO 88.1 FM
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
STATE EMPLOYEES RETIREMENT FUND**

Schedule of Proportionate Share of MSRS Net Pension Liability

Measurement Date	Proportionate Share as a Percentage of Net Pension Liability	Proportionate Share	Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.002	\$ 27,925	\$44,100	63.32	87.64
June 30, 2015	0.002	27,272	48,145	56.65	88.32
June 30, 2016	0.002	212,524	47,509	447.33	47.51

Schedule of Employer Contributions

Fiscal Year Ended	Statutorily Required Contributions	Contributions Recognized By MSRS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as A Percentage of Covered Payroll
June 30, 2015	\$ 2,648	\$ 2,648	\$ —	\$ 48,145	5.50
June 30, 2016	2,613	2,613	—	47,509	5.50
June 30, 2017	2,758	2,758	—	50,145	5.50

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2017 and 2016**

There have been no changes in plan provisions since the prior actuarial valuation.

There were changes in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation. They are summarized as follows:

- The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2043 and 2.5 percent thereafter to 2.0 percent for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 4.17 percent.
- Salary increases, retirement, termination, disability, mortality, percent married, and benefit election assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by a further 0.25 percent from those assumptions.