

# 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, 2020 and 2019

Prepared by:

Business Services  
St. Cloud State University  
720 4<sup>th</sup> Avenue South, AS124  
St. Cloud, Minnesota 56301

**KVSC RADIO 88.1 FM**  
**AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY**  
**TABLE OF CONTENTS**

---

Independent Auditors' Report .....	1 - 2
Report on Internal Controls .....	3 - 4
Management Discussion and Analysis (unaudited) .....	5 - 12
Organizational Chart .....	13
Basic Financial Statements:	
Statements of Net Position .....	14
Statements of Revenues, Expenses, and Changes in Net Position .....	15
Statements of Cash Flows .....	16
Notes to the Financial Statements .....	17 – 33
Required Supplementary Information .....	34 – 35



## 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, 2020 and 2019, 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, the financial statements referred to above present fairly, in all material respects, the financial position of KVSC as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows, 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, 2020 and 2019, 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 December 18, 2020, 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  
December 18, 2020



**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), an enterprise fund of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KVSC's basic financial statements, and have issued our report thereon dated December 18, 2020.

**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. 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 18, 2020

## 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, 2020, 2019 and 2018, 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. Since September 2017 KVSC has maintained a partnership with KMOJ 89.9 in Minneapolis. KVSC's broadcast signal continues to be 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 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 ninth year, features local musicians, sketch writers and actors performing a 2-hour live audience and live radio broadcast. The series is funded through June 2021 with funds from the Minnesota Arts and Cultural Heritage Legacy grant. Additionally, KVSC underwrites, promotes and programs an annual concert each year in St. Cloud at local venues. In a typical year, when not impacted by a national pandemic, the station engaged in remote events to include local parades, St. Cloud's Juneteenth Celebration, organizing and hosting celebrating Minnesota music concerts and making appearances at the Summertime by George concert series, a popular community event each summer and supporting university events such as Making Strides Against Breast Cancer and Homecoming 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 2020 Trivia weekend attracted 49 teams, many 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 and college teams can compete for free. Longstanding teams continue to connect to become "super teams" of 25-60 players per team, with several teams now on one overall 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 2020, 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.

In an effort to alleviate the stress and anxiety COVID-19 was creating for the campus and community, KVSC endeavored to produce a remote version of Trivia Weekend. On April 18, 2020, the station hosted "Trivia Weekend-U Can't Touch This 2020 1/2" with more than 100 teams registered to play. The ten-hour 'mini' contest was a free community event engineered with all on air talent remotely located using Zoom, CleanFeed audio, Google docs for scoring and Twitch for a live stream video broadcast. It was a tremendous success that built a sense of togetherness and community during a very difficult time.

## FINANCIAL HIGHLIGHTS

Governmental Accounting Standards Board (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. Additionally, the university adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2016. The adoption of GASB Statements No. 68 and No. 75 have a long-term material negative impact on university's financial position.

It is worth noting, that the impact on fiscal years 2020, 2019, and 2018 salaries and benefits expense due to GASB Statements No. 68 and No. 75 is a result of a more comprehensive approach to pension and other postemployment benefit expense, which reflects estimates of the amounts employees earned during the year, rather than actual contributions to the plans. The actuarially derived net pension liability, other postemployment benefit (OPEB) liability, deferred outflows, and deferred inflows of resources, can vary between years due to actuarial assumption changes, thus affecting financial statements comparability between years.

Excluding the GASB Statement No. 68 pension and GASB Statement No. 75 OPEB adjustments, fiscal year 2020 net position increased \$78,335 or 95.6 percent. With GASB Statements No. 68 and No. 75, net position increased \$76,682.

Assets and deferred outflows totaled \$414,048 and liabilities and deferred inflows totaled \$334,645. 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 \$32,488 and unrestricted net position of \$46,915.

## 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 statements of net position present the financial position of KVSC at the end of the fiscal year and includes all assets, deferred outflows, 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, 2020, 2019 and 2018 follows:

	As of June 30		
	2020	2019	2018
Current assets	\$ 340,713	\$ 173,211	\$ 208,541
Noncurrent assets	32,488	43,367	54,245
Deferred outflows of resources	40,847	77,427	108,801
Total assets and deferred outflows of resources	<u>414,048</u>	<u>294,005</u>	<u>371,587</u>
Current liabilities	163,271	88,928	116,375
Noncurrent liabilities	87,164	84,373	182,427
Deferred inflows of resources	84,210	117,983	77,819
Total liabilities and deferred inflows of resources	<u>334,645</u>	<u>291,284</u>	<u>376,621</u>
Net position	<u>\$ 79,403</u>	<u>\$ 2,721</u>	<u>\$ (5,034)</u>

Total current assets increased by \$167,502 due to an increase in cash of \$156,838, funds held by others of \$30,149, accounts receivable of \$6,307 and prepaid asset of \$652. Grants receivable and pledges receivable decreased (\$24,786) and (\$1,658), respectively.

Current 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 \$74,003 in fiscal year 2020. Payables decreased (\$190) due to normal differences in the timing of payments made, this represents a decrease in accounts payable of (\$1,253) and an increase in salaries payable of \$1,063 in fiscal year 2020. Current other compensation benefits, consisting of compensated absences and other post-employment benefits, increased by \$530 for fiscal year 2020.

Noncurrent liabilities increased by \$2,791 due to an increase in non-current other compensation benefits of \$3,562 and a decrease in net pension liability of (\$771). Deferred inflows of \$84,210 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, 2020, 2019 and 2018, respectively, are summarized as follows:

	2020	2019	2018
Net investment in capital assets	\$ 32,488	\$ 43,367	\$ 54,245
Unrestricted	46,915	(40,646)	(59,279)
Total Net Position	<u>\$ 79,403</u>	<u>\$ 2,721</u>	<u>\$ (5,034)</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 increased by \$76,682 from fiscal year 2019 to fiscal year 2020.

There is a significant impact to unrestricted net position due to GASB Statements No. 68 and No. 75, this difference is reflected in the table below. With the effect of GASB Statements No. 68 and No. 75, unrestricted net position increased by \$87,561 in fiscal year 2020 after increasing \$18,633 in fiscal year 2019. Without the effect of GASB Statements No. 68 and No. 75, unrestricted net position increased \$89,214 in fiscal year 2020, after decreasing \$12,259 in fiscal year 2019.

Unrestricted net position balance at June 30 (In Thousands)			
	2020	2019	2018
Unrestricted net position balance at June 30	\$ 46,915	(40,646)	(59,279)
Prior year effect of GASB Statements No. 68 and No. 75	79,185	110,087	91,633
Current year effect of GASB Statements No. 68 and No. 75	1,653	(30,902)	18,454
Balance at June 30, without effect of GASB No. 68 and No. 75	<u>\$ 127,753</u>	<u>\$ 38,539</u>	<u>\$ 50,808</u>

## 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, 2020, totaled \$32,488, a decrease of \$10,879 from June 30, 2019. The decrease consisting of depreciation recognized during fiscal year 2020.

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.

The university is the primary source of revenue for KVSC, providing 42.5 percent of total revenues in fiscal year 2020. The university provides state appropriations to fund a full-time station manager, an operations manager, a graduate assistantship and the utilities for the leased tower and transmitter facility. The university also provides in-kind contributions consisting of facilities and administration.

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

	2020	2019	2018
Operating revenues:			
Student fees	\$ 37,723	\$ 37,862	\$ 37,335
Underwriting	59,642	69,633	65,646
Other income	9,403	9,066	9,260
Total operating revenues	<u>106,768</u>	<u>116,561</u>	<u>112,241</u>
Nonoperating revenues:			
University provided support	314,601	384,526	360,513
Contributions - listener support	109,363	38,541	40,243
Grants from the Corp. for Public Broadcasting	85,972	95,993	92,445
Grants from the State of Minnesota and other	122,762	141,713	122,704
Total nonoperating revenues	<u>632,698</u>	<u>660,773</u>	<u>615,905</u>
Total revenues	<u>739,466</u>	<u>777,334</u>	<u>728,146</u>
Operating expenses:			
Salaries and benefits	369,954	371,167	343,808
Pension and OPEB adjustments	1,653	(30,902)	18,454
Supplies and services	149,101	192,582	169,332
Depreciation	10,879	10,878	11,421
In-kind expenses	121,958	199,374	187,836
Other expenses	9,239	26,480	25,765
Total operating expenses	<u>662,784</u>	<u>769,579</u>	<u>756,616</u>
Change in net position	<u>76,682</u>	<u>7,755</u>	<u>(28,470)</u>
Net position, beginning of year	<u>2,721</u>	<u>(5,034)</u>	<u>23,436</u>
Net position, end of year	<u>\$ 79,403</u>	<u>\$ 2,721</u>	<u>\$ (5,034)</u>

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.

Overall underwriting revenues decreased by (\$9,991) during fiscal year 2020. Cash exchange underwriting revenues increased by \$1,288 to \$18,791 in fiscal year 2020. Underwriting received from AMPERS selling to clients on behalf of KVSC increased from \$5,014 in fiscal year 2019 to \$5,244 in fiscal year 2020 as the association found more success securing support from larger clients. In addition, revenues generated by KVSC Marketing staff increased by \$1,058 to \$13,547 in fiscal year 2020. Non-cash/in-kind underwriting revenues decreased (\$11,279) to \$40,851 in fiscal year 2020.

The \$337 increase in other income for fiscal year 2020 is due to a \$1,237 and \$3 increase in concert gate revenues and miscellaneous novelty sales, respectively, while team registrations decreased (\$903).

In fiscal year 2020 the station undertook it's first-ever capital campaign fundraising effort. The "Drive to 55" campaign was created to raise additional equipment funds to replace a failing and aging antenna and feed line transmission system at the radio tower. KVSC's management attended an externship at a successful community radio station in Pittsburgh and developed a volunteer alumni outreach

committee and worked with the University Foundation on the project. The end result was the station's best ever fall membership drive, with \$32,668 raised from listeners and alumni. Meanwhile, a local philanthropic family, who have been long-time listeners and supporters, doubled that amount and donated an additional \$65,000 to the Drive to 55 effort. The original goal for the "Drive to 55" campaign was to raise \$55,000, the final total raised for the fall campaign was \$87,668.

Due to the campus remote learning/working environment and safety protocols instituted in March, 2020 the Spring on air membership drive could not be executed in the usual fashion. KVSC used a stronger social media campaign, letters to members, new pledge incentives and heavier on air messaging in May and June to carry out the campaign. The Spring 2020 campaign raised \$9,619 compared to the prior year's Fall and Spring campaigns raising \$16,963 and \$15,003, respectively.

In addition to the Fall and Spring Listener Membership Fundraising campaigns KVSC has contracted with CARS-Vehicle Donation Services, a third party business, to help secure the value of vehicle donations on behalf of the station. During fiscal year 2020, the station received \$2,100 in donated vehicle value.

The Corporation for Public Broadcasting (CPB) awarded KVSC a Community Service Grant of \$86,492 for fiscal year 2020. The CPB restricts approximately 26 percent 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 Exchange (PRX) and Native Voice One for programming and specialized content such as StarDate, Counterspin, Making Contact and other content available via the national marketplace.

The CPB also secured CARES Act funding through the U.S. Congress. In fiscal year 2020 the CPB awarded KVSC a CARES Act grant of \$75,000. KVSC's management intends to use these funds to maintain support a half-time employee whose state grant funding was in jeopardy of being rescinded.

KVSC secured a cumulative Arts and Cultural Heritage Legacy grant of \$175,000 for fiscal years 2020 and 2021. 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 and a script writing competition for a future live production. Programming in fiscal year 2020 includes one concert 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 \$23,058 and an equipment grant of \$6,882 in fiscal year 2020. 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 a locally based group of community volunteers reading daily and weekly newspapers, serving more than 400 visually impaired people in the area. This service is called Central Minnesota Audio Newspapers.

The overall financial position for KVSC increased \$76,682 in fiscal year 2020. This is due primarily to the increased donations related to the "Drive for 55" capital campaign.

GASB Statements No. 68 and No. 75 also have a significant impact on KVSC's net position. Without the effect of GASB Statements No. 68 and No. 75, KVSC's the increase in overall financial position was \$78,335 in fiscal year 2020.

	2020	2019	2018
Increase (decrease) in net position including GASB 68 and GASB 75	\$ 76,682	\$ 7,755	\$ (28,470)
Impact on compensation expense			
Pension	1,036	(31,600)	17,976
Other postemployment benefits	617	698	478
Total GASB 68/75 impact	\$ 1,653	\$ (30,902)	\$ 18,454
Increase (decrease) in net position excluding GASB 68 and 75	\$ 78,335	\$ (23,147)	\$ (10,016)

## 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 nine years, the university faces an ongoing challenge in maintaining adequate state appropriation funding in fiscal years 2020, 2021, and beyond. This also affects KVSC's ability to secure additional student activity fees to support station operations.

KVSC received its first federal Radio Community Service Grant from the Corporation for Public Broadcasting (CPB) in fiscal year 2009. The CPB awarded KVSC a Community Service Grant of \$103,108 for fiscal year 2021. 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. Also, the CPB board has updated and increased the target goals to qualify for the grant on both the audience listening criteria for music based stations and the community financial support index. While KVSC has seen some growth in both of these areas, it may not be enough to meet the new minimum requirements to receive another award in fiscal year 2022.

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—which was a Homecoming concert with hip-hop standout Brother Ali in September 2019 Celebrating 150 Years of SCSU, Granite City Radio Theatre and the Untold Stories of Central Minnesota, which is a locally produced radio program and podcast. A two-year grant was awarded for \$175,000 with \$90,000 budgeted for fiscal year 2020 and \$85,000 for fiscal year 2021. Station management has been informed by the Minnesota Department of Administration to prepare for a cut of its fiscal year 2021 budget of up to 30%. The state has released 47.5% of funding through December 31, 2020. The remaining fiscal year 2021 balance will be known as the state's revenue forecast will inform the legislature and governor on how much is available for grantees the final six months of the fiscal year.

The Minnesota State Legislature appropriated funding for community service and equipment grants for the fiscal year 2020-2021 biennium. A state community service grant of \$23,058 and an equipment grant of \$6,882 have each been allocated to KVSC for fiscal year 2020 with the same funding allocated for fiscal year 2021. Due to COVID-19, the grants have been cut 5% at this time by the Minnesota Department of Administration. The final amount of each grant, which may include further cuts for fiscal year 2021, will be determined as the legislature meets in January 2021.

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, social and political conditions. Management recognizes that the ongoing repercussions of COVID-19 on campus and throughout our community may continue to limit our fundraising capacity and intends to supplement the Fall 2020 campaign with a year-end giving campaign in December 2020.

The station is looking forward to programming community events in 2021. Three episodes of Granite City Radio Theatre, Trivia Weekend “Trivia At Play” 2021, a radio theatre production based on a locally written script and a hopeful spring concert are planned. The pandemic and its impact will determine whether the events are held safely with audiences, or online. That will determine ticket revenues from events as well—virtual event sales do not match in-person experiences.

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 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

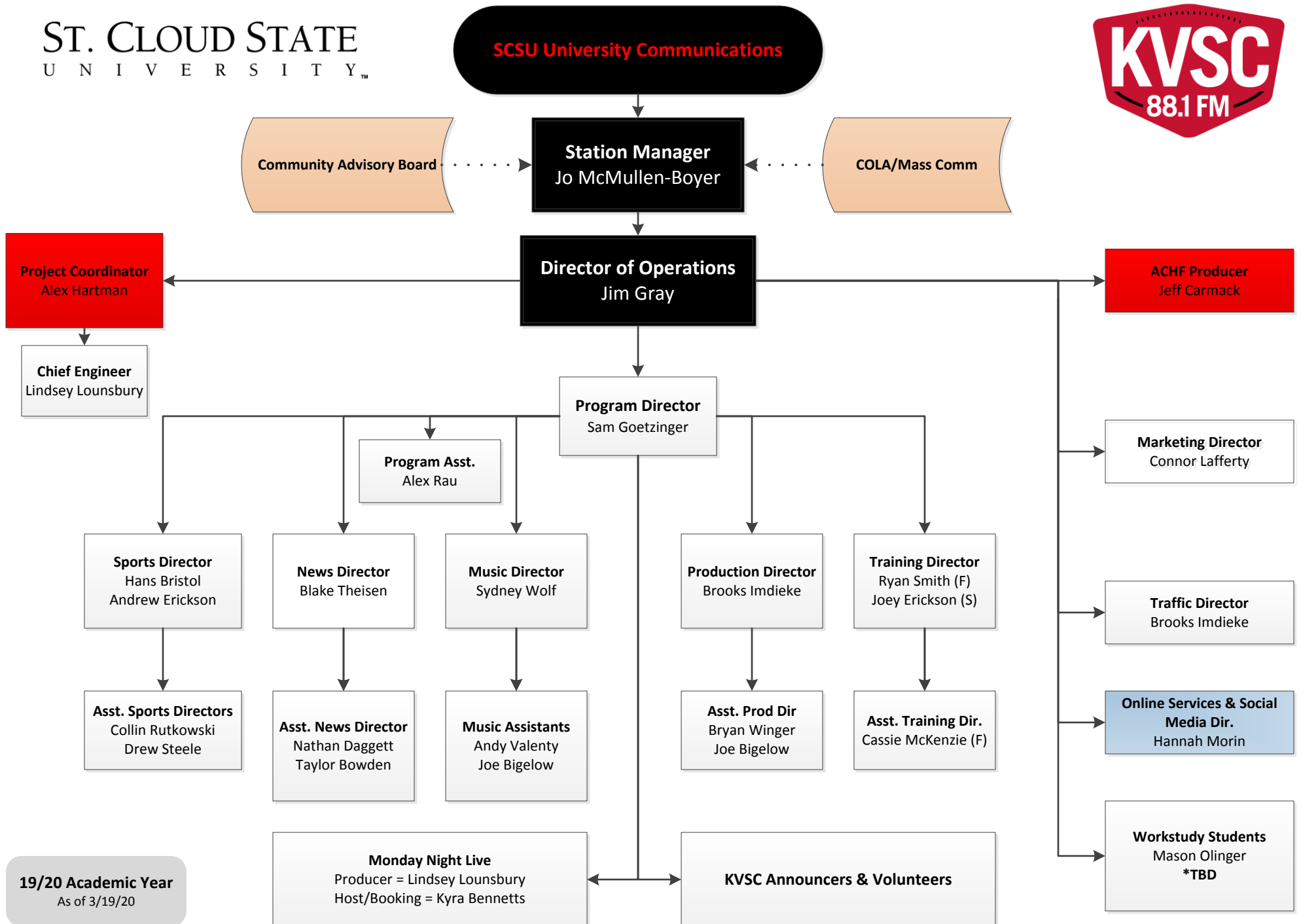
This financial report is designed to provide a general overview of KVSC’s finances for all those with an interest in the station’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

# KVSC 88.1 FM Organizational Flow Chart

ST. CLOUD STATE  
UNIVERSITY™

SCSU University Communications



**KVSC RADIO 88.1 FM**  
**AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2020 AND 2019**

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 199,546	\$ 42,708
Funds held by third party - St. Cloud State University Foundation	97,859	67,710
Accounts and grants receivable	31,244	49,723
Pledges receivable, net	3,058	4,716
Prepaid assets	9,006	8,354
Total current assets	<u>340,713</u>	<u>173,211</u>
Noncurrent Assets		
Capital assets, net	<u>32,488</u>	<u>43,367</u>
Total Assets	<u>373,201</u>	<u>216,578</u>
Deferred Outflows of Resources	<u>40,847</u>	<u>77,427</u>
Total Assets and Deferred Outflows of Resources	<u>414,048</u>	<u>294,005</u>
Liabilities		
Current Liabilities		
Accounts payable	2,084	3,337
Salaries payable	16,809	15,746
Other compensation benefits	6,670	6,140
Unearned grant revenue	137,708	63,705
Total current liabilities	<u>163,271</u>	<u>88,928</u>
Non-Current Liabilities		
Other compensation benefits	63,634	60,072
Net pension liability	<u>23,530</u>	<u>24,301</u>
Total non-current liabilities	<u>87,164</u>	<u>84,373</u>
Total Liabilities	<u>250,435</u>	<u>173,301</u>
Deferred Inflows of Resources	<u>84,210</u>	<u>117,983</u>
Total Liabilities and Deferred Inflows of Resources	<u>334,645</u>	<u>291,284</u>
Net Position		
Net investment in capital assets	32,488	43,367
Unrestricted	<u>46,915</u>	<u>(40,646)</u>
Total Net Position	<u>\$ 79,403</u>	<u>\$ 2,721</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Student service fees	\$ 37,723	\$ 37,862
Underwriting	59,642	69,633
Other income	9,403	9,066
Total operating revenues	<u>106,768</u>	<u>116,561</u>
Operating Expenses		
Program Services		
Programming and production	217,693	239,259
Broadcasting and engineering	150,562	137,324
Program information and promotion	60,822	85,083
Total program services	<u>429,077</u>	<u>461,666</u>
Support Services		
Fundraising and membership development	43,750	42,630
Underwriting and grant solicitation	44,899	35,620
Management and general	145,058	229,663
Total support services	<u>233,707</u>	<u>307,913</u>
Total operating expenses	<u>662,784</u>	<u>769,579</u>
Operating loss	<u>(556,016)</u>	<u>(653,018)</u>
Nonoperating Revenues		
Appropriation from St. Cloud State University	233,494	237,282
Donated facilities and administrative from the university	81,107	147,244
Contributions - listener support	109,363	38,541
Grants from the Corporation for Public Broadcasting	85,972	95,993
Grants from the State of Minnesota and other	122,762	141,713
Total nonoperating revenues	<u>632,698</u>	<u>660,773</u>
Change in net position	76,682	7,755
Net Position, Beginning of Year	<u>2,721</u>	<u>(5,034)</u>
Net Position, End of Year	<u>\$ 79,403</u>	<u>\$ 2,721</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, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities		
Student service fees received	\$ 37,862	\$ 37,335
Cash received for underwriting	14,079	16,691
Other revenue received	9,403	9,066
Cash payments for employees	(364,417)	(371,125)
Cash paid to suppliers for goods or services	(158,978)	(234,505)
Net cash flows used in operating activities	<u>(462,051)</u>	<u>(542,538)</u>
Cash Flows from Noncapital and Related Financing Activities		
General appropriation from St. Cloud State University	231,859	239,144
Contributions received - listener support	79,605	36,423
Other St. Cloud University support	-	-
Grants from the Corporation for Public Broadcasting	161,493	88,963
Grants from the State of Minnesota	145,932	135,416
Net cash flows from noncapital and related financing activities	<u>618,889</u>	<u>499,946</u>
Net Change in Cash and Cash Equivalents	156,838	(42,592)
Cash and Cash Equivalents, Beginning of Year	42,708	85,300
Cash and Cash Equivalents, End of Year	<u>\$ 199,546</u>	<u>\$ 42,708</u>
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	\$ (556,016)	\$ (653,018)
Adjustments to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	10,879	10,878
Donated facilities and administrative expense	81,107	147,244
Write off uncollectible pledges	1,267	2,150
Deferred outflows of resources	36,578	31,374
Deferred inflows of resources	(33,773)	40,164
Change in assets and liabilities		
Accounts and grants receivable	(4,572)	(1,339)
Prepaid asset	(652)	1,000
Accounts payable	(1,253)	(18,593)
Salaries payable	1,063	(4,480)
Other compensation benefits	4,092	5,522
Net pension liability	(771)	(103,440)
Net reconciling items to be added to operating loss	<u>93,965</u>	<u>110,480</u>
Net cash flow used in operating activities	<u>\$ (462,051)</u>	<u>\$ (542,538)</u>
Supplemental disclosure of noncash noncapital and related financing activities		
Change in funds held by St. Cloud State University Foundation	\$ 30,149	\$ (3,896)
Donated facilities and administrative revenue	81,107	147,244
In-kind trade for underwriting	40,851	52,130

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, 2020 AND 2019**

**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 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, 2020.

KVSC also has an ongoing relationship with the St. Cloud State University Foundation, Inc. (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, 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, 2021. The effect GASB Statement No. 87 will have on the fiscal year 2022 financial statements has not yet been determined.

In August, 2018 the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. GASB No. 90 is effective for years beginning after December 15, 2019. The effect GASB Statement No. 90 will have on the fiscal year 2021 financial statements has not yet been determined.

In May, 2019 the GASB issued Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers. It also eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB No. 91 is effective for years beginning after December 15, 2021. The effect GASB Statement No. 91 will have on the fiscal year 2023 financial statements has not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Minnesota State has implemented GASB No. 92 in fiscal year 2020.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. GASB Statement No. 93 is effective for the year beginning after June 15, 2021. The effect GASB Statement No. 93 will have on the fiscal year 2022 financial statements has not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. The statement also provides guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 is effective for the year beginning after June 15, 2022. The effect GASB Statement No. 94 will have on the fiscal year 2023 financial statements has not yet been determined.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of certain provisions and in Statements and Implementation Guides that first became effective or scheduled to become effective for the periods beginning after June 15, 2018, and later. Minnesota State has adjusted the effective dates for all new accounting pronouncements described in these statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The statement defines subscription-based technology arrangements, established that they are a right to use asset with a corresponding liability, provides capitalization for criteria other for outlays other than subscription payments including implementation costs, and requires footnote disclosure regarding the arrangements. GASB Statement No. 96 is effective for fiscal years beginning after June 15, 2022. The effect GASB Statement No. 96 will have on the fiscal year 2023 financial statements has not yet been determined.

In June 2020, the GASB issued Statement no. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Service Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No 32*.

The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform, to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statement, and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for fiscal years beginning after June 15, 2021. The effect GASB Statement No. 96 will have on the fiscal year 2022 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 acquisition value. 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, 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 \$121,958 and \$199,374 are included in revenues and expenses in the statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

For fiscal year ended June 30		
	2020	2019
University facilities and administration	\$ 81,107	\$ 147,244
Underwriting	40,851	52,130
Total non-cash/in-kind revenues/expenses	\$ <u>121,958</u>	\$ <u>199,374</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 and other postemployment benefits.

The following tables summarize KVSC deferred outflows and inflows:

		Deferred Outflows of Resources	
		Year Ended June 30	
		2020	2019
<i>Related to Pensions:</i>			
Changes in actuarial assumptions	\$	33,154	\$ 69,508
Contributions paid to plans subsequent to the measurement date		3,722	3,075
Differences between expected and actual experience		713	671
Changes in proportion		1,247	2,053
Total related to pensions		<u>38,836</u>	<u>75,307</u>
<i>Related to OPEB:</i>			
Changes in actuarial assumptions		1,022	1,246
Contributions paid to plan subsequent to measurement date		989	874
Total related to OPEB		<u>2,011</u>	<u>2,120</u>
Total	\$	<u>40,847</u>	\$ <u>77,427</u>
		Deferred Inflows of Resources	
		Year Ended June 30	
		2020	2019
<i>Related to Pensions:</i>			
Differences between projected and actual investment earnings	\$	5,747	\$ 6,083
Changes in actuarial assumptions		73,724	108,523
Differences between expected and actual experience		82	1,843
Changes in proportion		2,962	729
Total related to pensions		<u>82,515</u>	<u>117,178</u>
<i>Related to OPEB:</i>			
Changes in actuarial assumptions		660	327
Differences between expected and actual experience		1,035	478
Total related to OPEB		<u>1,695</u>	<u>805</u>
Total	\$	<u>84,210</u>	\$ <u>117,983</u>

*Other Postemployment Benefits (OPEB)* — For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to and deductions from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The plan is not funded. KVSC recognized an increase in expense of \$617 and \$699 in fiscal years 2020 and 2019, respectively, related to OPEB. This increase is comprised of OPEB expense of \$1,606 and \$1,573, net of reduction to expense for yearly contributions of (\$989) and (\$874) for fiscal years 2020 and 2019, respectively.

*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 KVSC are held by the university in the state treasury, this includes the state appropriation, all state or federal grants funds received by KVSC, student service fees and underwriting and other miscellaneous sales. Fundraising revenues and other donations to KVSC are received at the Foundation, which holds these funds in a local bank account. Most funds held by the Foundation are transferred to a university account in the state treasury prior to being spent.

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		2020	2019
University held in state treasury	\$	199,546	\$ 42,708
Foundation held in local account		97,859	67,710
Total cash and cash equivalents	\$	<u>297,405</u>	<u>\$ 110,418</u>

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.03. The statute limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2020 and 2019, 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		
	2020	2019
University	\$ 12,258	\$ 10,763
Underwriting income	5,804	992
Grants receivable	13,182	37,968
Accounts receivable	<u>\$ 31,244</u>	<u>\$ 49,723</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		
	2020	2019
Spring 2020 membership drive	\$ -	\$ -
Fall 2019 membership drive	389	-
Spring 2019 membership drive	-	1,217
Fall 2018 membership drive	-	50
Foundation held pledges	3,000	4,100
Total pledges receivable	3,389	5,367
Allowance for uncollectible pledges	(331)	(651)
Net pledges receivable	<u>\$ 3,058</u>	<u>\$ 4,716</u>

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

Fiscal Year 2020			Fiscal Year 2019		
Membership Drive	Allowance Amount	Allowance Percentage	Membership Drive	Allowance Amount	Allowance Percentage
Spring 2020	\$ -	50	Spring 2019	\$ 608	50
Fall 2019	331	85	Fall 2018	43	85
Total	<u>\$ 331</u>		Total	<u>\$ 651</u>	

## 5. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2020 and 2019 follow:

Year Ended June 30, 2020				
	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, depreciated:				
Equipment	\$ 205,950	\$ -	\$ -	\$ 205,950
Total capital assets, depreciated	<u>205,950</u>	<u>-</u>	<u>-</u>	<u>205,950</u>
Less accumulated depreciation:				
Equipment	<u>162,583</u>	<u>10,879</u>	<u>-</u>	<u>173,462</u>
Total accumulated depreciation	<u>162,583</u>	<u>10,879</u>	<u>-</u>	<u>173,462</u>
Total capital assets, net	<u>\$ 43,367</u>	<u>\$ (10,879)</u>	<u>\$ -</u>	<u>\$ 32,488</u>

Year Ended June 30, 2019				
	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, depreciated:				
Equipment	\$ 205,950	\$ -	\$ -	\$ 205,950
Total capital assets, depreciated	<u>205,950</u>	<u>-</u>	<u>-</u>	<u>205,950</u>
Less accumulated depreciation:				
Equipment	<u>151,705</u>	<u>10,878</u>	<u>-</u>	<u>162,583</u>
Total accumulated depreciation	<u>151,705</u>	<u>10,878</u>	<u>-</u>	<u>162,583</u>
Total capital assets, net	<u>\$ 54,245</u>	<u>\$ (10,878)</u>	<u>\$ -</u>	<u>\$ 43,367</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		
	2020	2019
Purchased services	\$ 1,636	\$ 3,088
Supplies	448	249
Total	<u>\$ 2,084</u>	<u>\$ 3,337</u>

## 7. LEASE AGREEMENTS

*Operating Lease* — KVSC has leased antenna tower and transmitter facility space from TJ Communications, Inc. since 1992. The current operating lease is for five years, commencing July 1, 2017 and ending on June 30, 2022.

Total rent expense under the operating lease for the years ended June 30, 2020 and 2019 were \$9,778 and \$9,586, 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.

The changes in other compensation benefits for fiscal years 2020 and 2019 follow:

Year Ended June 30, 2020					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 51,884	\$ 10,615	\$ 6,140	\$ 56,359	\$ 6,670
Other postemployment benefits	14,328	1,688	2,071	13,945	-
Total other compensation benefits	<u>\$ 66,212</u>	<u>\$ 12,303</u>	<u>\$ 8,211</u>	<u>\$ 70,304</u>	<u>\$ 6,670</u>
Year Ended June 30, 2019					
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	\$ 47,362	\$ 10,526	\$ 6,004	\$ 51,884	\$ 6,140
Other postemployment benefits	13,328	2,549	1,549	14,328	-
Total other compensation benefits	<u>\$ 60,690</u>	<u>\$ 13,075</u>	<u>\$ 7,553</u>	<u>\$ 66,212</u>	<u>\$ 6,140</u>

*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.

*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. Note 9 to the financial statements provides additional information.

*Net Pension Liability* — The net pension liability of \$23,530 and \$24,301 at June 30, 2020 and 2019, respectively, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 10 to the financial statements provides additional information.

# 9. OTHER POSTEMPLOYMENT BENEFITS

*Plan Description* — KVSC provides health insurance benefits for certain retired employees under the “Minnesota State Colleges and Universities Postretirement Medical Plan”, a single employer fully insured plan, as required by Minnesota Statutes, 471.61, Subdivision 2B. Active employees who retire when eligible to receive a retirement benefit from a Minnesota public pension plan and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the plan. 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.

As of the July 1, 2018 actuarial valuation, the following current and former employees were covered by benefit terms under the plan:

Active employees	4
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>4</u>

*Actuarial Methods and Assumptions* — The total OPEB liability for Minnesota State at June 30, 2020 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to determine the June 30, 2020 total OPEB liability. The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of July 1, 2018. The total OPEB liability was measured based on the following actuarial assumptions:

Measurement Date	June 30, 2019	June 30, 2018
Payroll Growth	3.00 percent	3.25 percent
Inflation	2.25 percent per year	2.50 percent per year
Initial Medical Trend Rate	6.60 percent	6.50 percent
Ultimate Medical Trend Rate	3.80 percent	3.80 percent
Year Ultimate Trend Rate Reached	2068	2070

*Discount Rate* — The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 was 3.50 and 3.87 percent, respectively. The discount rate was based on a municipal bond rate based on the 20-year Bond Buyer GO Index as of the end of June 2019 and 2018. The plan is not funded by assets in a separate trust. Therefore, the municipal bond rate was applied to all period of projected benefit payments to determine the total OPEB liability.

*Changes in Total OPEB Liability* — The changes in total OPEB liability are as follows:

Changes in Total OPEB Liability		
	2020	2019
Balance, Beginning of Year	\$ 14,328	\$ 13,328
Changes for the Year		
Service Cost	1,108	996
Interest	580	496
Changes in Assumptions	(460)	1,057
Difference Between Expected and Actual Experience	(737)	(553)
Benefit Payments	(874)	(996)
Net Changes	<u>(383)</u>	<u>1,000</u>
Balance, End of Year	<u>\$ 13,945</u>	<u>\$ 14,328</u>

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

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. The discount rate was changed from 3.87 percent to 3.5 percent. Mortality assumptions, salary increase assumptions, and medical trend rates were updated. The inflation rate and payroll growth rate decreased 0.25 percent.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* — The following presents KVSC total OPEB liability calculated using the discount rate above, as well as the total OPEB liability if it were calculated using a discount rate that is one percentage lower or one percentage higher than the current discount rate:

	Sensitivity of Total OPEB Liability to Changes in the Discount Rate			
	2020		2019	
	Percent	Amount	Percent	Amount
1 Percent Lower	2.50	\$ 14,638	2.87	\$ 15,083
Current Discount Rate	3.50	13,946	3.87	14,328
1 Percent Higher	4.50	13,258	4.87	13,583

*Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* — The following presents KVSC total OPEB liability, calculated using the healthcare cost trend rates, that is one percentage lower (5.60 percent decreasing to 2.80 percent and 5.50 percent decreasing to 2.80 percent) or one percentage higher (7.60 percent decreasing to 4.80 and 7.50 percent decreasing to 4.80 percent) than the current healthcare cost trend rate (6.60 percent decreasing to 3.50 percent and 6.50 percent decreasing to 3.50 percent):

	Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rate	
	2020	2019
	Amount	Amount
1 Percent Lower	\$ 12,574	\$ 13,019
Current Trend Rate	13,946	14,328
1 Percent Higher	15,543	15,849

*OPEB Expense and Deferred Outflows and Deferred Inflows of Resources* — For the years ended June 30, 2020 and 2019, KVSC recognized an increase in benefit expense of \$617 and \$1,573 related to OPEB. At June 30, 2020 and 2019, KVSC reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

		Deferred Outflows of Resources	
		Year Ended June 30	
		2020	2019
Changes in actuarial assumptions	\$	1,022	\$ 1,246
Contributions made subsequent to the measurement date		989	874
Total	\$	<u>2,011</u>	<u>2,120</u>

		Deferred Inflows of Resources	
		Year Ended June 30	
		2019	2019
Changes in actuarial assumptions	\$	660	\$ 327
Differences between expected and actual economic experience		1,035	478
Total	\$	<u>1,695</u>	<u>805</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from KVSC contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the total OPEB liability in the following fiscal year. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2021	\$ (86)
2022	(86)
2023	(86)
2024	(166)
2025	(108)
Therafter	(141)
Total	\$ <u>(673)</u>

## 10. 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. Annuitants receive benefit increases of 1.00 percent through 2023, and 1.50 percent thereafter.

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 1.20 percent of the high-five average salary for each of the first 10 years of covered service, plus 1.70 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 1.70 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 6.0 percent and 5.75, respectively, of their annual covered salary in fiscal years 2020 and 2019. Participating employers were required to contribute 6.25 and 5.875 percent, respectively, of employee annual covered salary in fiscal years 2020 and 2019. KVSC's contributions to the General Plan for the fiscal years ending June 30, 2020 and 2019 were \$3,722 and \$3,075, 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, 2019 and 2018, 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:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases for the June 30, 2019 and 2018 valuation were equal to reported salary at valuation date increased according to the rate table, to current fiscal year and annually each future year. Prior year salary is annualized for members with less than one year of service. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2014 generational mortality tables projected with mortality improvement Scale MP-2015 from base year of 2014 for males or females, as appropriate, with adjustments to match fund experience. Benefit increases for retirees were assumed to be 1.0 percent from January 1, 2019 through December 31, 2023 and 1.5 percent from January 1, 2024 and onward.

Actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the last experience study dated June 30, 2015, and a review of inflation and investment return assumptions, dated June 27, 2019 and September 11, 2017, respectively. The Allowance for Combined Service Annuity assumptions are based on an analysis completed by the LCPR actuary and a documented in a report dated October 2016.

The long-term expected rate of return on pension plan investments used in the determination of the total pension liability is 7.5 percent. The expected rate of return was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce geometric, long-term expected rate of return for the portfolio.

For each major asset class that is included in the pension fund target asset allocation as of the June 30, 2019 measurement date, these best estimates are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Geometric Mean) Percentage
Domestic equity	36	5.10
International equity	17	5.30
Private markets	25	5.90
Fixed income	20	0.75
Cash	2	0.00
Total	100	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2019 and 2018, was 7.50 percent.

As of June 30, 2019 and 2018, 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 was available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Net Pension Liability - At June 30, 2020 and 2019, KVSC reported a liability of \$23,530, and \$24,301, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2018 through June 30, 2019 and July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2020 and 2019, KVSC's proportion was 0.002 percent.

There have been no changes in plan provisions since the prior measurement date.

There have been no changes in assumptions that affect the measurement of the total pension liability since the prior measurement date.

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:

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	2020		2019	
	Percent	Amount	Percent	Amount
1 Percent Lower	6.50	\$ 54,804	6.50	\$ 56,168
Current Discount Rate	7.50	23,530	7.50	24,301
1 Percent Higher	8.50	(2,430)	8.50	(2,151)

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 <http://www.msrs.state.mn.us/annual-reports>.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions -  
For the years ended June 30, 2020 and 2019, KVSC recognized a decrease in benefit expense of \$4,757 and a decrease in benefit expense of \$28,523, respectively, related to pensions. At June 30, 2020 and 2019, KVSC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	
	Year Ended June 30	
	2020	2019
Changes in actuarial assumptions	33,154	69,508
Contributions paid to MSRS subsequent to the measurement date	3,722	3,075
Differences between expected and actual economic experience	713	671
Changes in proportion	1,247	2,053
Total	\$ 38,836	\$ 75,307

	Deferred Inflows of Resources	
	Year Ended June 30	
	2020	2019
Differences between projected and actual investment earnings	\$ 5,747	\$ 6,083
Changes in actuarial assumptions	73,724	108,523
Differences between expected and actual economic experience	82	1,843
Changes in proportion	2,962	729
Total	\$ 82,515	\$ 117,178

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:

Fiscal Year	Amount
2021	\$ 2,212
2022	(33,703)
2023	(15,442)
2024	(468)
Total	\$ (47,401)

#### *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:

<u>Fiscal Year</u>	<u>Employer</u>	<u>Employee</u>
2020	\$ 7,467	\$ 5,601
2019	7,352	5,514
2018	7,045	5,284

#### *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.

<u>Member Group</u>	<u>Eligible Compensation</u>	<u>Maximum Annual Contributions</u>
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:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 3,820
2019	3,814
2018	3,734

## 11. 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 CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

Schedule of Changes in Total OPEB Liability				
	2020	2019	2018	2017
Balance, Beginning of Year	\$ 14,328	\$ 13,328	\$ 13,260	\$ 12,443
Changes for the Year				
Service Cost	1,108	996	1,058	901
Interest	580	496	396	485
Changes in Assumptions	(460)	1,057	(458)	580
Difference Between Expected and Actual Experience	(737)	(553)	-	-
Benefit Payments	(874)	(996)	(928)	(1,149)
Balance, End of Year	\$ <u>13,945</u>	\$ <u>14,328</u>	\$ <u>13,328</u>	\$ <u>13,260</u>
Covered-Employee Payroll	198,351	197,963	209,863	210,062
Total OPEB Liability as a Percentage of Covered-Employee Payroll	0.20	0.21	0.14	0.21

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, 2020 and 2019**

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

Changes were made in assumptions that affect the total OPEB liability since the prior valuation. They are summarized as follows:

- The discount rate was changed from 3.87 percent to 3.5 percent.
- Mortality assumptions, salary increase assumptions, and medical trend rates were updated.
- The inflation rate and payroll growth rate decreased 0.25 percent.

**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
June 30, 2017	0.002	127,741	50,145	254.74	62.73
June 30, 2018	0.002	24,301	52,800	46.02	90.56
June 30, 2019	0.002	23,530	52,340	44.96	90.73

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
June 30, 2018	2,904	2,904	—	52,800	5.50
June 30, 2019	3,075	3,075	—	52,340	5.875
June 30, 2020	3,722	3,722	—	59,552	6.25

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, 2020 and 2019**

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

There have been no changes in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation.