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, 2016 and 2015

Prepared by:

Business Services
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AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERITY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of KVSC Radio 88.1 FM (KVSC), an enterprise fund of St. Cloud State University, a campus of Minnesota State Colleges and Universities, as of and for the years ended June 30, 2016 and 2015, 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.

Board of Trustees
Minnesota State Colleges and Universities

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of KVSC as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows, were applicable, thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only KVSC Radio 88.1 FM and do not purport to, and do not, present fairly the financial position of Saint Cloud State University or Minnesota State Colleges and Universities as of June 30, 2016 and 2015, the changes in its financial position, or cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017, 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 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 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 12, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KVSC Radio 88.1 FM (KVSC), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise KVSC's basic financial statements, and have issued our report thereon dated January 12, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below as item 2016-001 that we consider a significant deficiency.

2016-001 – Audit Adjustments

Criteria
KVSC is responsible for ensuring the accuracy of the financial statements.

Condition
An audit adjustment was required to record an additional $8,730 of accounts payable at year end.

Cause
The error related to the proper use of occurrence dates. Having the correct occurrence date on checks paid ensures the proper reporting of accounts payable and expenses.

Effect
Accounts payable and expenses were understated.

Recommendation
We recommend KVSC ensure all staff processing such claims understand the occurrence date process and implement stronger policies and procedures to assure the occurrence date is the correct date for cut off. In addition, we also recommend KVSC review its procedures and processes for timely submitting expenditures to the business office for proper processing.

View of Responsible Officials and Planned Corrective Actions
At year end, there was turnover in the accounts payable department and the proper training was not completed timely for the employees processing accounts payable. KVSC has since provided the training as well as implemented further oversight to ensure accounts payable are properly recorded. Business Services will monitor our construction related project activities more closely to insure the timely billing by our vendors.

KVSC's response to the finding identified in our audit is described above. KVSC's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.*

Board of Trustees
Minnesota State Colleges and Universities

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 12, 2017

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, 2016, 2015 and 2014, 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. The station is operated by students and community volunteers and is on the air 365 days per year, 24 hours per day. The on air hosts and deejays are entirely staffed by volunteers, roughly 7,300 hours total with another 1,000+ hours volunteered at sports or remote/community event broadcasts. Other than the station's professional employees consisting of a station manager, operations director and two grant funded part-time employees, the station is staffed by student workers in all areas of station operations including programming, production, news, sports, music, marketing, online content management, engineering, etc. All of these students and community volunteers gain invaluable experience in the many different aspects of radio broadcasting and multi-platform media.

KVSC is *Your Sound Alternative* offering a blend of alternative rock, Minnesota music, folk, world, blues, Native American music and much more. In addition KVSC offers special and expanded features on its website, KVSC.org, including additional online news and cultural affairs content, live audio streaming and downloadable podcasts of popular content. KVSC has expanded its community outreach and engagement events to include Granite City Radio Theatre in collaboration with the Pioneer Place Theatre in St. Cloud. The program, in its fifth year, features local musicians, writers and actors performing a 2-hour live audience and live radio broadcast. The series is funded through 2017 with funds from the Minnesota Arts and Cultural Heritage Legacy grant. Additionally, KVSC underwrites, promotes and programs an annual concert each spring in St. Cloud at local venues and has expanded its remote event participation to include local parades, organizing and hosting a Live and Local concert and festival with live music, local organic food and community garden vendors and appearances at the Summertime by George concert series, a popular community event each summer.

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 2016 Trivia weekend attracted 59 teams, several of which now play via the Internet from various parts of the country. KVSC expanded its efforts to reach high school and college-based teams. As an enticement to attract younger players, high school teams can compete for free and college teams can register for half the cost of community teams. Longstanding teams continue to join forces to become “super teams” of 25-60 players per team. Trivia weekend is annually scheduled for the second weekend of February and begins on Friday at 5 p.m. Participating teams endure 50 hours of non-stop trivia questions representing a broad range of categories including: movies, pop culture, sports, science and history. Each year, a different theme is chosen to pay homage to a popular movie, novel or pop-culture phenomena. In 2016, there were 32 trivia answer hotlines staffed by volunteers and UTVS-Television provided live video telecast coverage of the entire event. There were more than 200 alumni, students, and community members who volunteered their time and effort to make this event a success. Approximately 60 St. Cloud and Greater Minnesota businesses show their support for the event with funding and/or food donations to provide sustenance for the volunteers.

FINANCIAL HIGHLIGHTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $67,099 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Comparability between fiscal years will have variances due to this new accounting standard and will be explained throughout the management discussion and analysis.

KVSC’s financial position financial position declined during fiscal year 2016, with net position decreasing $8,081, or 9.1 percent. Excluding the GASB Statement No. 68 effect, fiscal year 2016 net position increased $16,690 or 11.2 percent. This decrease was in part the result of decreased underwriting revenues and the depreciating of station equipment.

Assets and deferred outflows totaled $250,028 and liabilities and deferred inflows totaled $169,163. 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 $81,453 and unrestricted net position of negative $588.

USING THE FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

The statement of net position presents the financial position of KVSC at the end of the fiscal year and includes all assets and deferred outflows and liabilities and deferred inflows as measured using the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows – net position – is one indicator of the current financial condition of KVSC, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Capital assets are stated at historical cost less an allowance for depreciation, with current year depreciation reflected as a period expense on the Statements of Revenues, Expenses and Changes in Net Position.

A summary of KVSC's statements of net position as of June 30, 2016, 2015 and 2014 are as follows:

	As of June 30		
	2016	2015	2014
Current assets	$ 164,077	$ 176,404	$ 169,291
Noncurrent assets	81,453	97,616	114,861
Deferred outflows of resources	4,498	3,216	—
Total assets and deferred outflows of resources	250,028	277,236	284,152
Current liabilities	71,763	84,918	102,506
Noncurrent liabilities	68,631	67,929	41,411
Deferred inflows of resources	28,769	35,443	—
Total liabilities and deferred inflows of resources	169,163	188,290	143,917
Net position	$ 80,865	$ 88,946	$ 140,235

Total current assets decreased by $12,327 due primarily to a decrease in cash of $2,828, a decrease of funds held by others of $4,674 and a decrease in receivables of $4,339 as accounts receivable and grants receivable decreased $877 and $3,462, respectively. Prepaid assets and net pledges receivable also decreased by a combined $486 during fiscal year 2016.

Liabilities consist primarily of accrued compensation and unearned federal and state grant revenue, which represents amounts received in advance of providing services. Unearned grant revenue decreased $12,559 in fiscal year 2016. Payables increased $1,539 due to normal differences in the timing of payments made, this represents a increase in accounts payable of $1,823 and in salaries payable of $284 in fiscal year 2016. Other compensation benefits, consisting of compensated absences and other post-employment benefits, increased by $1,205 for fiscal year 2016.

Noncurrent liabilities increased by $702 due to an increase of other compensation benefits of $1,355 and a decrease in net pension liability of $653. Deferred inflows of $28,769 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, 2016, 2015 and 2014, respectively, are summarized as follows:

	Net Position at June 30		
	2016	2015	2014
Investment in capital assets	$ 81,453	$ 97,616	$ 114,861
Unrestricted	(588)	(8,670)	25,374
Total net position	$ 80,865	$ 88,946	$ 140,235

Investment in capital assets represents KVSC's investments in broadcasting equipment with original cost exceeding the capitalization thresholds as outlined in Note 1, net of accumulated depreciation. Unrestricted net position is not subject to externally imposed stipulations. As shown in the table above, total net position has decreased by $8,081 from fiscal year 2015 to fiscal year 2016. Fiscal year 2014 unrestricted net position was not restated for the effects of GASB Statement No. 68, and thus is not comparable to subsequent years.

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, 2016, totaled $81,453, a decrease of $16,163 from June 30, 2015. The decrease consisting of depreciation recognized during fiscal year 2016.

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 operational expenses.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

	For the years ended June 30		
	2016	2015	2014
Operating revenues:			
Student fees	$ 37,335	$ 35,218	$ 37,335
Underwriting	72,280	83,791	84,719
Other income	11,918	12,938	8,562
Total operating revenues	121,533	131,947	130,616
Nonoperating revenues:			
University provided support	374,772	380,012	476,038
Contributions – listener support	42,333	39,251	33,857
Grants from the Corp. for Public Broadcasting	110,904	110,956	148,533
Grants from the State of Minnesota	144,443	143,655	143,626
Total nonoperating revenues	672,452	673,874	802,054
Total revenues	793,985	805,821	932,670
Operating expenses:			
Salaries and benefits	328,738	329,584	331,527
Supplies and services	216,717	184,279	275,987
Depreciation	16,163	17,245	13,780
In-kind expenses	215,977	218,008	218,596
Other expenses	24,471	40,895	37,969
Total operating expenses	802,066	790,011	877,859
Change in net position	(8,081)	15,810	54,811
Net position, beginning of year	88,946	140,235	85,424
Change in accounting principle	—	(67,099)	37,969
Net position, beginning of year, as restated	88,946	73,136	85,424
Net position, end of year	$ 80,865	$ 88,946	$ 140,235

The university is the primary source of revenue for KVSC, providing 47% of total revenues in fiscal year 2016. The university provides state appropriations to fund a full time station manager, an operations manager, and two graduate assistantships. The university also provides in-kind contributions consisting of facilities and administration and the utilities for the leased tower and transmitter facility.

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

Cash exchange underwriting revenues decreased by $8,961 to $19,003 in fiscal year 2016. Underwriting received from AMPERS selling to clients on behalf of KVSC decreased from $17,029 in fiscal year 2015 to $6,999 in fiscal year 2016 as the association lost several of its larger clients this year. In addition, revenues generated by KVSC did not increase as the station experienced another mid-year change in our Marketing Director position that is responsible for securing new underwriting partners. Non-cash/in-kind underwriting revenues also decreased $2,550 to $53,277 in fiscal year 2016. Overall underwriting revenues decreased by $11,511 during fiscal year 2016.

This year’s decrease in other income can be attributed to the station having five fewer teams register for its Trivia Weekend, of which several were university or high school teams who pay discounted or no registration fees resulting in decreased fees collected and promotional items sold related to the event. Also, the station produced six concerts and radio theatre events last year but experienced decreased overall ticket sales due to one concert’s unfortunate timing of occurring on the same night of Minnesota musician Prince’s death, which resulted in low concert attendance.

In addition to the Fall and Spring Listener Membership Fundraising campaigns KVSC has contracted with Vehicle Donation Services, a third party business, to help secure the value of vehicle donations on behalf of the station. In fiscal year 2016 the station received $845 in donated vehicle value.

The Corporation for Public Broadcasting (CPB) awarded KVSC a Community Service Grant of $96,083 for fiscal year 2016. The CPB restricts approximately 26% of the funds, requiring that they be expended towards national program acquisition or distribution of station produced content. KVSC has used these funds to invest in access to the Public Radio Satellite System, Content Depot, ENCO digital audio storage software/hardware, Public Radio International and Native Voice One for programming, Public Radio Exchange (PRX) and specialized content such as StarDate, Counterspin and other content available via the national marketplace.

KVSC secured a cumulative Arts and Cultural Heritage Legacy grant of $190,235 for fiscal years 2016 and 2017. These funds have been used to fund two part time positions. KVSC also received a smaller Arts and Culture grant of $4,902 in fiscal year 2016 that supported new equipment and technology purchases. The smaller grant was from unspent funds from AMPERS stations that had not spent down their grant funding and the state redistributed it to stations that had documented need for additional funds.

Additionally, the outcome of grant support from the Minnesota Arts and Cultural Heritage Fund has resulted in continued growth in community awareness and support at events programmed by KVSC. Management has been building on these successful new events including concerts, radio theatre, arts and culture speaker series which have advanced KVSC’s profile with the campus and off-campus communities. This includes two concerts 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 $37,000 and an equipment grant of $10,437 in fiscal year 2016. 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) and St. Cloud Area Somali Salvation Organization (SASSO). 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.

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 five years, the university faces an ongoing challenge in maintaining adequate state appropriation funding in fiscal years 2017, 2018, and beyond.

KVSC received its first federal Radio Community Service Grant from the Corporation for Public Broadcasting (CPB) in fiscal year 2009. As has been the case the past several years, there is a possibility of further rescission to CPB appropriations in upcoming measures funding federal government operations during the upcoming fiscal year. The CPB awarded KVSC a Community Service Grant of $94,686 for fiscal year 2017.

The Minnesota Department of Administration awards Minnesota Arts and Cultural Heritage Legacy funds providing for a variety of arts and culture content. This includes concerts, Granite City Radio Theatre, a celebration of local food, music and the university's Common Read program as well as Untold Stories of Central Minnesota, a locally produced radio program and podcast. In fiscal year 2017 many of the same programs will be produced as well as producing a speaker series segment. The two year grant awarded this year for $190,235 was budgeted as $98,000 for fiscal year 2016 and $92,235 for fiscal year 2017. The Minnesota Department of Administration has indicated to current recipients of funding that, depending on upcoming state budget forecasts, they may rescind up to three percent of fiscal year 2017 budgeted funding. KVSC management is preparing to adjust spending to accommodate these potential reductions.

The Minnesota State Legislature appropriated funding for community service and equipment grants for the fiscal year 2016-2017 biennium. In recent years the pattern has been for the Legislature to award more funding in the first year of the biennium than in the second, returning organizations to a lower starting point for determining the upcoming biennium. The fiscal year 2017 allocation to KVSC includes a state community service grant of $24,500 and an equipment grant of $7,312.

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

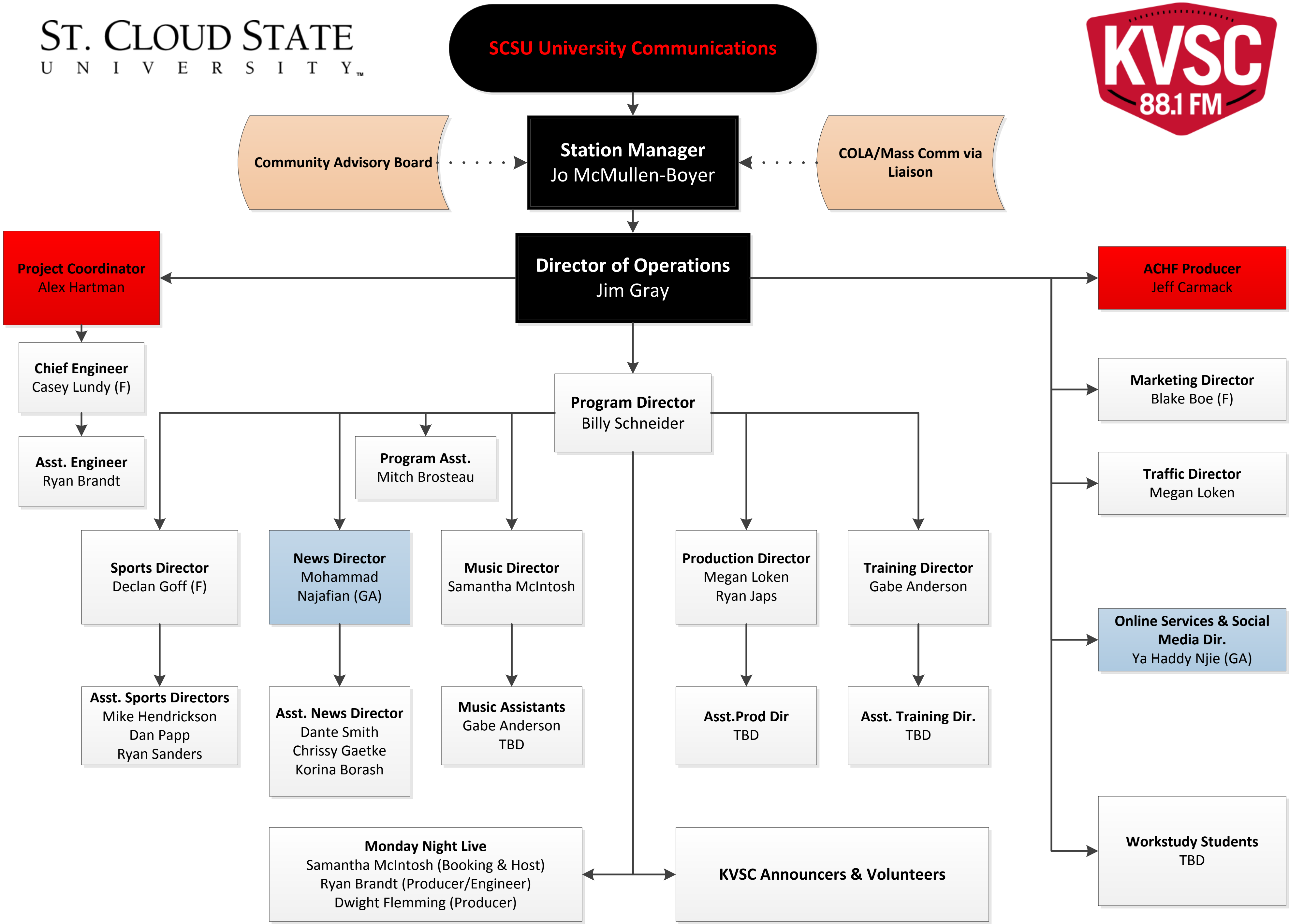
While it is not possible to predict the ultimate results, management believes that KVSC's financial condition will remain strong.

REQUESTS FOR INFORMATION

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

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

KVSC 88.1 FM Organizational Flow Chart



KVSC RADIO 88.1 FM
AN ENTERPRISE FUND OF ST. CLOUD STATE UNIVERSITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

Assets	2016	2015
Current Assets		
Cash and cash equivalents	$ 50,246	$ 53,074
Funds held by third party - St. Cloud State University Foundation	53,429	58,103
Accounts and grants receivable	48,727	53,066
Pledges receivable, net	1,174	1,710
Prepaid asset	10,501	10,451
Total current assets	164,077	176,404
Noncurrent Assets		
Capital assets, net	81,453	97,616
Total Assets	245,530	274,020
Deferred Outflows of Resources	4,498	3,216
Total Assets and Deferred Outflows of Resources	250,028	277,236
Liabilities		
Current Liabilities		
Accounts payable	10,030	8,207
Salaries payable	13,388	13,672
Other compensation benefits	4,421	4,571
Unearned grant revenue	43,924	58,468
Total current liabilities	71,763	84,918
Non-Current Liabilities		
Other compensation benefits	41,359	40,004
Net pension liability	27,272	27,925
Total non-current liabilities	68,631	67,929
Total Liabilities	140,394	152,847
Deferred Inflows of Resources	28,769	35,443
Total Liabilities and Deferred Inflows of Resources	169,163	188,290
Net Position		
Investment in capital assets	81,453	97,616
Unrestricted	(588)	(8,670)
Total Net Position	$ 80,865	$ 88,946

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, 2016 AND 2015

	2016	2015
Operating Revenues		
Student service fees	$ 37,335	$ 35,218
Underwriting	72,280	83,791
Other income	11,918	12,938
Total operating revenues	121,533	131,947
Operating Expenses		
Program Services		
Programming and production	210,477	253,731
Broadcasting and engineering	223,860	132,882
Program information and promotion	46,733	70,186
Total program services	481,070	456,799
Support Services		
Fundraising and membership development	51,168	46,208
Underwriting and grant solicitation	25,082	26,697
Management and general	244,746	260,307
Total support services	320,996	333,212
Total operating expenses	802,066	790,011
Operating loss	(680,533)	(658,064)
Nonoperating Revenues		
Appropriation from St. Cloud State University	212,072	217,830
Donated facilities and administrative from St. Cloud State University	154,420	153,870
Other St. Cloud State University support	8,280	8,312
Contributions - listener support	42,333	39,251
Grants from the Corporation for Public Broadcasting	110,904	110,956
Grants from the State of Minnesota	144,443	143,655
Total nonoperating revenues	672,452	673,874
Change in net position	(8,081)	15,810
Net Position, Beginning of Year	88,946	73,136
Net Position, End of Year	$ 80,865	$ 88,946

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, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Student service fees received	$ 37,939	$ 43,495
Cash received for underwriting	20,880	31,353
Other revenue received	11,918	12,938
Cash payments for employees	(336,622)	(338,656)
Cash paid to suppliers for goods or services	(236,288)	(233,736)
Net cash flows used in operating activities	(502,173)	(484,606)
Cash Flows from Noncapital and Related Financing Activities		
General appropriation from St. Cloud State University	210,665	220,164
Contributions received - listener support	44,414	32,208
Other St. Cloud University support	-	495
Grants from the Corporation for Public Broadcasting	96,083	98,621
Grants from the State of Minnesota	148,183	142,326
Net cash flows from noncapital and related financing activities	499,345	493,814
Net Change in Cash and Cash Equivalents	(2,828)	9,208
Cash and Cash Equivalents, Beginning of Year	53,074	43,866
Cash and Cash Equivalents, End of Year	$ 50,246	$ 53,074
Reconciliation of net operating loss to net cash used by operating activities		
Operating loss	$ (680,533)	$ (658,064)
Adjustments to Reconcile Operating Loss to		
Net Cash Flows used in Operating Activities		
Depreciation	16,163	17,245
Donated facilities and administrative	154,420	153,870
Other donated university support	8,280	8,312
Write off uncollectible pledges	3,129	3,126
Change in assets and liabilities		
Accounts and grants receivable	2,283	11,665
Prepaid asset	(50)	(7,412)
Accounts payable	1,823	(4,276)
Salaries payable	(284)	25
Other compensation benefits	1,205	(2,150)
Pension liability	(8,609)	(6,947)
Net reconciling items to be added to operating loss	178,360	173,458
Net cash flow used in operating activities	$ (502,173)	$ (484,606)
Supplemental disclosure of noncash noncapital and related financing activities		
Change in funds held by St. Cloud State University Foundation	$ (4,674)	$ 3,549
Donated facilities and administrative revenue	154,420	153,870
Other St. Cloud State University support revenue	8,280	8,312

The notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

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

Minnesota State Colleges and Universities (Minnesota State) is an agency of the state of Minnesota and receives appropriations from the state legislature. The university receives a portion of Minnesota State's state appropriation. Economic support for KVSC from the university is committed on a year-to-year basis for salaries and operating expenses not provided through other sources. General appropriation support has been approved through June 30, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-Operating Revenues — Non-operating revenues represent non-exchange activities. The primary sources of non-operating revenues are appropriations from St. Cloud State University, contributions, Corporation for Public Broadcasting (CPB) grants and other non-exchange grants and contracts. Although KVSC relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms.

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

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

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

In-Kind Contributions — Donated goods and in-kind trade activity are recorded as revenues and expenses at fair market value at the date of donation or activity. Donated goods and in-kind trade activity of $215,404 and $218,009 are included in operating revenues and operating expenses in the statement of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015, respectively.

For fiscal year ended June 30	2016	2015
University facilities and administration	$ 154,420	$ 153,870
Tower and transmitter utilities	8,280	8,312
Underwriting	53,277	55,827
Total non-cash/in-kind revenues/expenses	$ 215,977	$ 218,009

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. The university also provides in-kind support in the form of utilities used to operate the tower and transmitter facility leased by KVSC.

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

Use of Estimates — To prepare the basic financial statements in conformity with generally accepted accounting principles management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

2. CASH AND CASH EQUIVALENTS

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

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

Cash and Cash Equivalents at June 30

Carrying Amount	2016	2015
University held in state treasury	$ 50,246	$ 31,727
University held in local account	-	21,347
Foundation held in local account	53,429	58,103
Total cash and cash equivalents	$ 103,675	$ 111,177

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

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

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

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university's policy for reducing its exposure to credit risk is to comply with Minnesota Statutes, Section 118A.04 which limits investments to the top quality rating categories of a nationally recognized rating agency. At June 30, 2016 and 2015, 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

	2016	2015
University	$ 7,781	$ 6,780
Underwriting income	861	2,739
Grants receivable	40,085	43,547
Accounts receivable	$ 48,727	$ 53,066

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

	2016	2015
Spring 2016 membership drive	$ 1,617	$ -
Fall 2015 membership drive	1,388	-
Spring 2015 membership drive	-	1,289
Fall 2014 membership drive	-	2,853
Foundation held pledges	157	90
Total pledges receivable	3,162	4,232
Allowance for uncollectible pledges	(1,988)	(2,522)
Net pledges receivable	$ 1,174	$ 1,710

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

Fiscal Year 2016			Fiscal Year 2015		
Membership Drive	Allowance Amount	Allowance Percentage	Membership Drive	Allowance Amount	Allowance Percentage
Spring 2016	$ 808	50	Spring 2015	$ 1,426	50
Fall 2015	1,180	85	Fall 2014	1,096	85
Total	$ 1,988		Total	$ 2,522	

5. CAPITAL ASSETS

Summaries of changes in capital assets for fiscal years 2016 and 2015 follow:

Year Ended June 30, 2016

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, depreciated:				
Equipment	$ 271,330	$ -	$ 20,253	$ 251,077
Total capital assets, depreciated	271,330	-	20,253	251,077
Less accumulated depreciation:				
Equipment	173,714	16,163	20,253	169,624
Total accumulated depreciation	173,714	16,163	20,253	169,624
Total capital assets, net	$ 97,616	$ 16,163	$ -	$ 81,453

Year Ended June 30, 2015

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Equipment	$ 271,330	$ -	$ -	$ 271,330
Total capital assets, depreciated	271,330	-	-	271,330
Less accumulated depreciation:				
Equipment	156,469	17,245	-	173,714
Total accumulated depreciation	156,469	17,245	-	173,714
Total capital assets, net	$ 114,861	$ 17,245	$ -	$ 97,616

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

	2016	2015
Purchased services	$ 1,124	$ 920
Supplies	5,216	183
Repairs and Maintenance	3,631	-
Other expense	59	7,104
Total	$ 10,030	$ 8,207

7. LEASE AGREEMENTS

Operating Lease — KVSC has leased antenna tower and transmitter facility space from TJ Communications, Inc. since 1992. KVSC renewed an operating lease agreement for a term of five years, commencing July 1, 2012. Future minimum lease payments for this agreement are:

Year Ended June 30	
Fiscal Year	Amount
2017	$ 9,213

Total rent expense under the operating lease for the years ended June 30, 2016 and 2015 were $8,859 and $8,518, respectively.

8. OTHER COMPENSATION BENEFITS

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

Summaries of other compensation benefits for fiscal years 2016 and 2015 follow:

Year Ended June 30, 2016
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 37,609	$ 5,033	$ 4,861	$ 37,781	$ 4,421
Net other postemployment benefits	6,966	2,139	1,106	7,999	-
Total other compensation benefits	$ 44,575	$ 7,172	$ 5,967	$ 45,780	$ 4,421

Year Ended June 30, 2015
(In Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Liabilities for:					
Compensated absences	$ 40,524	$ 2,702	$ 5,617	$ 37,609	$ 4,571
Net other postemployment benefits	6,201	1,987	1,222	6,966	-
Total other compensation benefits	$ 46,725	$ 4,689	$ 6,839	$ 44,575	$ 4,571

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

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

Net Pension Liability — The net pension liability of $27,272 and $27,925 at June 30, 2016 and 2015, respectively, is the proportionate share of the unfunded pension liability of the defined benefit pension plans as required by GASB Statement No. 68. Note 9 to the financial statements provides additional information.

9. EMPLOYEE PENSION PLANS

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

State Employees Retirement Fund (SERF)

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

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

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

Contributions – Minnesota Statutes Chapter 352 sets the rates for employer and employee contributions. Eligible General Plan members and participating employers were required to contribute 5.5 percent of their annual covered salary in fiscal years ending June 30, 2016 and 2015. KVSC's contribution to the General Plan for the fiscal years ending June 30, 2016 and 2015 were $2,613 and $2,648, 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, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	June 30, 2015	June 30, 2014
Inflation	2.75 percent per year	2.75 percent per year
Active member payroll growth	3.50 percent per year	3.50 percent per year
Investment rate of return	8.00 percent	7.90 percent

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

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

The long-term expected rate of return on pension plan investments is 7.9 percent. The rate assumption was selected as the result of a 2014 actuarial review of economic assumptions. The review combined the asset class target allocations and long-term rate of return expectations from the State Board of Investment (SBI) with return expectations from eight other investment consultants. The review also factored in information from the Social Security Trustees Report, U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of MSRS, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best-estimates of expected future real rates of return are developed for each major asset class. These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2015 and 2014, was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015 and 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A similar analysis was performed as of July 1, 2015, based on a long-term expected rate of return of 7.90 percent and a municipal bond rate of 3.8 percent.

Net Pension Liability - At June 30, 2016 and 2015, KVSC reported a liability of $27,272 and $27,925, respectively, for its proportionate share of MSRS' net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, 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, 2014 through June 30, 2015 and July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MSRS's participating employers. At June 30, 2015 and 2014, KVSC's proportion was 0.002 percent.

A change was made in plan provisions that affected the measurement of the total pension liability since the prior measurement date. Effective July 1, 2015, a provision was added so that if the 2.5 percent post-retirement benefit increase is triggered and the funding ratio subsequently drops below 80 percent or less for the most recent valuation or 85 percent or less for two consecutive years, the post-retirement benefit will change to 2.0 percent until the plan again reaches a 90 percent funding ration for two consecutive years.

A change was made in assumptions that affect the measurement of the total pension liability since the prior measurement date. The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2015, and 2.5 percent thereafter, to 2.0 percent per year through 2043, and 2.5 percent per year thereafter.

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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Proportionate Share of Net Pension Liability (In Thousands)		
	One Percent Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	One Percent Increase in Discount Rate (8.9%)
June 30, 2016	$ 55,826	$ 27,272	$ 3,510
June 30, 2015	56,357	27,925	4,299

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

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions - For the years ended June 30, 2016 and 2015, KVSC recognized a reduction in pension expense of $6,193 and $4,299, respectively, related to pensions. At June 30, 2016 and 2015, KVSC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	2015 (In Thousands) Deferred Outflows of Resources	2015 (In Thousands) Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ 14,484
Changes in actuarial assumptions	-	20,353
Contributions paid to MSRS subsequent to the measurement date	2,648	-
Differences between expected and actual economic experience	-	606
Changes in proportion	568	-
Total	$ 3,216	$ 35,443

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 (In Thousands)
2017	$ (8,925)
2018	(8,925)
2019	(8,925)
2020	(108)
Total	$ (26,883)

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 percent and 4.5 percent, respectively. The contributions are made under the authority of Minnesota Statutes, Chapter 354B.

Required contributions for KVSC were:

Fiscal Year	Employer	Employee
2016	$ 4,985	$ 6,647
2015	4,957	$ 6,609
2014	4,640	6,187

Supplemental Retirement Plan (SRP)

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

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

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

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

Required contributions for KVSC were as follows:

Fiscal Year		Amount
2016	$	3,495
2015		3,624
2014		4,056

10. RISK MANAGEMENT

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

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

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

Schedule of Proportionate Share of MSRS Net Pension Liability

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

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

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, 2016 and 2015

There have been no changes in benefit terms since the prior actuarial valuation. There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior actuarial valuation. The assumed post-retirement benefit increase rate was changed from 2.0 percent through 2015, and 2.5 percent thereafter, to 2.0 percent per year through 2043, and 2.5 percent per year thereafter.