EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
Richmond, Kentucky

FINANCIAL STATEMENTS
June 30, 2015

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
Richmond, Kentucky

FINANCIAL STATEMENTS
June 30, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 3

FINANCIAL STATEMENTS

STATEMENT OF NET POSITION 9

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION 10

STATEMENT OF CASH FLOWS 11

NOTES TO FINANCIAL STATEMENTS 12

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE STATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY 27

SCHEDULE OF THE STATION'S CONTRIBUTIONS 28

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Eastern Kentucky University
Richmond, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of WEKU-FM Radio (the "Station"), a public broadcasting entity operated by Eastern Kentucky University, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station, as of June 30, 2015 and the changes in financial position and its cash flows thereof for the year 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 of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Eastern Kentucky University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Eastern Kentucky University as of June 30, 2015 and the changes in its financial position and its 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.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Station adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, the Schedule of the Station's Proportionate Share of the Net Pension Liability on page 27, and the Schedule of the University's Contributions on page 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it 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.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
February 12, 2016

Introduction

Management's Discussion and Analysis ("MD&A") of the financial condition of WEKU-FM Radio (the "Station") provides an overview of the financial performance of the Station for the years ended June 30, 2015, with selected comparative information for the year ended June 30, 2014. Management has prepared this discussion, along with the financial statements and related notes, to provide summary financial information. The amounts in the MD&A have been rounded to the nearest thousand, and the MD&A should be read in conjunction with the accompanying financial statements and notes.

During fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term pension benefit obligation as a liability. GASB Statement No. 68 replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The objective of GASB Statement No. 71 is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The principal effect of the adoption of these GASB statements was the requirement to record the Net Pension Liability. The University has reflected this accounting in change retroactively as required by the GASB guidance.

Please see *Adoption of New Accounting Pronouncements* in Note 1 of the financial statements for further details.

Financial Highlights

The financial statements indicate an improved financial year. The increased concentration on recruiting more sustaining (ongoing) member dollars combined with the dedicated focus on corporate support has allowed the Station to reach a level of financial support that not only covers expenses, but also allows for consideration of new programming ventures. Switching the Community Support Coordinator to allow for commission-based incentives has allowed the Station to become more efficient in operating the Station.

During fiscal year 2015, individual contributions finished right at the target amount after a late-year end-of-fiscal push. The Station has also adapted best-practice principles of focusing in increasing the number of "Sustaining members" to ensure the long-term viability of the community's support. In the four years since implementing the sustaining membership, it has grown our sustainer base from 8% of contributions to almost 17% of the annual contributions.

Assets and deferred outflows were $410,000 at June 30, 2015 compared to $575,000 at June 30, 2014. This was primarily the result of a decrease of approximately $264,000 in cash, and an increase of $59,000 in accounts receivable. Liabilities and deferred inflows were $659,000 at June 30, 2015, compared to $765,000 at June 30, 2014.

Operating revenues from contracts and grants for the year ended June 30, 2015 of $158,000 were $100,000 lower than the previous year. This is largely due to the Station's re-evaluation of funding issue in fiscal year 2014.

Operating expenses were $1,559,000 at June 30, 2015 compared to $1,516,000 at June 30, 2014. The loss from operations for the year ended June 30, 2015 was $1,400,000 compared to $1,258,000 loss from operations at June 30, 2014. Nonoperating revenues of $1,342,000 the year ended June 30, 2015, were comprised primarily of appropriations from the University and contributions. The combination of the loss from operations plus nonoperating revenues resulted in a decrease in net position of $59,000 for the year ended June 30, 2015 as compared to the $108,000 increase in net position for the year ending June 30, 2014.

Using this Annual Report

The financial statements consist of the Statements of Net Position as of June 30, 2015 and 2014, and the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows for the fiscal years then ended. These statements reflect both the financial position of the Station at the end of the fiscal years noted, as well as the results in operating and nonoperating activities and cash flows.

Statements of Net Position

The Statements of Net Position includes all assets and liabilities. It is prepared using accrual basis accounting, whereby revenues are recognized when earned and expenses when incurred, regardless of when cash is exchanged. The Station's net position (the difference between assets and liabilities) are one indicator of the Station's financial health. Over time, increases or decreases in net position can indicate improvement or erosion of the Station's financial health. Changes in net position should be considered in conjunction with non-financial factors, such as condition of facilities.

Statements of Net Position

	2015	2014
Assets		
Current assets	$ 308,000	$ 516,000
Capital assets – net	71,000	43,000
Total assets	379,000	559,000
Deferred outflows		
Contribution to KERS pension	31,000	16,000
Total deferred outflows	31,000	16,000
Total assets and deferred outflows	410,000	575,000
Liabilities	653,000	765,000
Deferred inflows	6,000	-
Total liabilities and deferred inflows	659,000	765,000
Net position		
Net investment in capital assets	71,000	43,000
Unrestricted	(320,000)	(233,000)
Total net position	$ (249,000)	$ (190,000)

- **Assets –** As of June 30, 2015, the Station's total assets amounted to $379,000. Cash of $179,000 represented the Station's largest asset or 47% of total assets. For the year ended June 30, 2014, cash represented 79% of total assets. Of total assets, Account Receivable saw the largest increase from fiscal year 2014 to 2015 with an increase of $59,000.

- **Deferred Outflows –** With the adoption of GASB Statement No. 65 and No. 68, deferred outflows are now being recognized related to pensions. The deferred outflows for the Station for the year ended June 30, 2015, totaled $31,000 and represent contributions to the KERS pension. The balance was $16,000 at June 30, 2014.

- **Liabilities –** As of June 30, 2015, the Station's liabilities amounted to $652,000. Pension Liability comprised 77% of total liabilities. Liabilities totaled $765,000 as of June 30, 2014.

- **Deferred Inflows –** With the adoption of GASB Statement No. 65 and No. 68, deferred inflows are now being recognized related to pensions. The deferred inflows for the Station for the year ended June 30, 2015, totaled $6,000 and represent the KERS pension. This is the first year we have recognized deferred inflows.

- **Net Position –** Total net position was $(249,000) at June 30, 2015, a decrease of $59,000 from June 30, 2014. Net position includes $71,000 of net investment in capital assets and $(320,000) classified as unrestricted.

Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The University appropriations and gifts are classified as nonoperating revenues. Accordingly, the Station will typically generate an operating loss prior to the addition of nonoperating revenues. A more meaningful measure is the change in net position. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014
Operating revenues:		
Federal grants and contracts	$ 158,000	$ 258,000
Operating expenses:		
Program services	866,000	932,000
Supporting services	672,000	566,000
Depreciation	20,000	18,000
Total operating expenses	1,558,000	1,516,000
Operating loss	(1,400,000)	(1,258,000)
Nonoperating revenues	1,341,000	1,367,000
Increase in net position	(59,000)	109,000
Net position – beginning of year	(190,000)	(299,000)
Net position – end of year	$ (249,000)	$ (190,000)

Revenue – Total operating revenues were $158,000 for the year ended June 30, 2015, compared to $258,000 for the year ended June 30, 2014, which consisted entirely of Federal grants and contracts.

Expenses – Operating expenses totaled $1,558,000 for the year ended June 30, 2015. Of this amount, $313,000 or 20% was used for programming and expenses related to production; $553,000 or 35% was used for broadcasting expenses; $522,000 or 34% for management and general expenses; $81,000 or 5% for fundraising; $69,000 or 4% for underwriting; and $20,000 or 1% for depreciation. The related proportions of operating expenses for the year ended June 30, 2014 were 19%, 43%, 32%, 5%, 1% and less than 1%, respectively.

Nonoperating Revenues – Nonoperating revenues for the year ended June 30, 2015 amounted to $1,341,000 compared to $1,367,000 for the year ended June 30, 2014. Of total nonoperating revenues, $492,000 was for general appropriations from the University and $332,000 for indirect administrative support from the University. It included $146,000 from other income, which is from underwriting from corporate support and contributions of $370,000.

Pension Expense – Upon adoption of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, the University reports pension expense on the Statement of Revenues, Expenses, and Change in Net Position. For the fiscal year ending June 30, 2015, the Station recorded $7,000 of pension expense.

Statements of Cash Flows

Another important factor to consider when evaluating financial viability is the Station's ability to meet financial obligations as they mature. The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing and investing activities. The statements of cash flows also helps financial statement readers assess:

- The Station's ability to generate future net cash flows.
- The Station's need for external financing.

Statement of Cash Flows

	2015	2014
Cash provided by (used in):		
Operating activities	$ (1,225,000)	$ (921,000)
Noncapital financing activities	1,009,000	1,087,000
Capital and related financing activities	(48,000)	-
Net increase (decrease) in cash	(264,000)	166,000
Cash – beginning of year	443,000	277,000
Cash – end of year	$ 179,000	$ 443,000

Major sources of funds included in operating activities were Federal grants and contracts of $193,000 for the year ended June 30, 2015 compared to $194,000 for the year ended June 30, 2014. The largest cash payments for operating activities in 2015 were $578,000 to employees and $775,000 to suppliers. Comparative amounts for the year ended June 30, 2014 were $504,000 to employees and $612,000 to suppliers.

For the year ended June 30, 2015, the largest cash inflow is the appropriation from the University of $492,000 compared to $595,000 in 2014.

Factors Impacting Future Periods

The following is a brief discussion of economic and other factors that may have a future financial impact on the Station:

During fiscal year 2015, the Station continued to focus on recruiting sustaining or ongoing giving as opposed to one-time gifts. The streamlining of duties for the Corporate Support Coordinator to allow a singular focus on corporate underwriting is starting to pay dividends and should allow for continued growth in business income. These steps have allowed the Station to develop a better operational plan for the future.

Already in the first half of the current FY 2016, membership and underwriting are ahead of projections. The Station is also collaborating with other public stations in state to improve efficiencies including adding a second corporate support representative and splitting the cost (with our in-state colleagues) for a corporate support representative to concentrate on statewide underwriting.

Support from the University represents the largest portion of the Station's operating funds. It is the station's intent to continue to decrease the percentage of University funding in this coming year. Because of the importance of state funding, there is a strong commitment by the University administration to continue to be proactive and informed regarding state funding issues. This current fiscal year the Station has taken significant steps to pro-actively track expenses and strictly implement a conservative budget. These steps along with increased fundraising activities should, over time, continue to decrease future direct University support.

The Station is encouraged by continued strong listenership and increases in corporate giving. As noted above briefly, Station management is fully examining what efficiencies can be realized by working more closely with our counterparts at other state institutionally licensed public broadcasting facilities. This collaboration should further improve the financial picture and allow the Station to invest in much-needed growth areas.

Requests for Information

This financial report is designed to provide a general overview of the Station's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President of Finance and Administration, Eastern Kentucky University, Coates CPO 35A, 521 Lancaster Avenue, Richmond, KY 40475.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
Current assets	
Cash	$ 178,743
Investments	62,936
Accounts receivable	64,791
Prepaid expenses	1,359
Total current assets	307,829
Capital assets, net	71,369
Total assets	379,198
Deferred outflows	
Contributions to KERS pension	30,536
Total deferred outflows	30,536
Total assets and deferred outflows	$ 409,734
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	$ 79,877
Accrued salaries and benefits	33,471
Unearned revenue	37,746
Total current liabilities	151,094
Pension liability	501,312
Total liabilities	652,406
Deferred inflows	
KERS pension	6,443
Total deferred inflows	6,443
Total liabilities and deferred inflows	658,849
Net position	
Net investment in capital assets	71,369
Unrestricted	(320,484)
Total net position	(249,115)
Total liabilities, deferred inflows and net position	$ 409,734

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015

OPERATING REVENUES	
Federal grants and contracts	$ 158,080
OPERATING EXPENSES	
Program services	
Programming and production	312,543
Broadcasting	553,026
Program information and promotion	726
Supporting services	
Management and general	522,188
Fundraising and membership development	80,802
Underwriting and grant solicitation	69,272
Depreciation	20,015
Total operating expenses	1,558,572
Operating loss	(1,400,492)
NONOPERATING REVENUES	
General appropriation from Eastern Kentucky University	491,766
Indirect administrative support	332,242
Other income	146,467
Interest Income	1,607
Contributions	369,615
Total net nonoperating revenues	1,341,697
Change in net position	(58,795)
Net position, beginning of year	279,548
Restatement for GASB 68 implementation	(469,868)
Net position, beginning of year, as restated	(190,320)
Net position, end of year	$ (249,115)

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

Cash flows from operating activities	
Grants and contracts received	$ 192,586
Registration and fees	(64,790)
Payments to suppliers	(775,199)
Payments for salaries and benefits	(577,940)
Net cash from operating activities	(1,225,343)
Cash flows from noncapital financing activities	
General appropriation from Eastern Kentucky University and other income	491,766
Contributions received	369,615
Other	148,074
Net cash from noncapital financing activities	1,009,455
Cash flows from capital and related financing activities	
Purchase of capital assets	(48,152)
Change in cash	(264,040)
Cash, beginning of year	442,783
Cash, end of year	$ 178,743
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (1,400,492)
Indirect, administrative support	332,242
Depreciation	20,015
Loss on investments	3,208
Changes in operating assets and liabilities:	
Accounts receivable	(58,898)
Accounts payable	(164,947)
Prepaid expenses	(708)
Accrued salaries and benefits	2,380
Unearned revenue	34,506
Pension liability	15,452
Deferred inflow	6,443
Deferred outflow	(14,544)
Net cash flows used in operating activities	$ (1,225,343)

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation: WEKU-FM Radio (the "Station") is a radio station operated by Eastern Kentucky University (the "University").

Basis of Accounting and Financial Statement Presentation: The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Eastern Kentucky University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Eastern Kentucky University as of June 30, 2015, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific, such as University appropriations, indirect administrative support, contributions and investment income are included in nonoperating revenues. The Station first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Cash: For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and Eastern Kentucky University Foundation, Inc. (the "Foundation"). Details of accounting transactions affecting cash are maintained by each entity.

The University currently uses commercial banks and the Commonwealth as depositories. Deposits with commercial banks are covered by Federal depository insurance or collateral held by the University's agent in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by Federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name.

Investments: Station investments are held by the Foundation. Assets held by the Foundation are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

Capital Assets: Capital assets are stated at cost at the date of acquisition or, in the case of gifts, at fair value at the date of the gift. Capital assets with a unit cost of $5,000 or greater are capitalized.

Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets, 5–50 years for buildings, antenna, and tower and 5–15 years for equipment and furniture.

Unearned Revenues: Unearned revenues include amounts received from grants, contracts and underwriting that have not yet been earned.

Pensions: For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Employees retirement System (KERS) and additions to /deductions from KERS' fiduciary net position have been determined on the same basis as they are reported by KERS. For this purpose, 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.

Deferred Outflows and Inflows of Resources: Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the University's financial statements consist of the unamortized deferred refunding balance. Deferred inflows consist of the KERS pension.

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

> *Net Investment in Capital Assets* - Capital assets, net accumulated depreciation and any outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
>
> *Unrestricted* - Net position that does not meet the definitions of net investment in capital assets or restricted.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: Funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when the Station has incurred expenditures in compliance with the specific restrictions. Unrestricted pledges are reported as revenue when the pledged contributions are received.

In-Kind Contributions and Contributed Services: The estimated fair value of contributed services and property are recorded as revenues and expenses in the period received.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs, other than depreciation, of providing the various programs and other activities have been summarized on a functional basis in the Statements of Revenues, Expenses, and Changes in Net Position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

Adoption of New Accounting Pronouncements: During fiscal year 2015, the Station adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Governmental employers participating in a cost-sharing plan are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. Refer to Note 8 for the following required note disclosures:

- Descriptions of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes in assumptions
- Assumptions related to the sensitivity of the discount rate.
- Net pension assets and liabilities

The objective of Statement 71 is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68.

The adoption of GASB Statement No. 68 and 71 resulted in a decrease in net pension at July 1, 2014 of $469,868 to reflect the beginning of year net pension liability and deferred outflow resources.

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements: As of June 30, 2015, the GASB has issued the following statements not yet implemented by the Station.

GASB Statement No. 72, Fair Value Measurement and Application, issued February 2015. The provisions of this Statement are effective for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, issued June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued on June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, issued June 2015. The provisions of this Statement are effective for periods beginning after June 15, 2015 The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (“GAAP”). The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

(Continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 77, Tax Abatement Disclosures, issued August 2015. The provisions of this Statement are effective for periods beginning after December 15, 2015. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements.

The Station's management has not yet determined the effect these statements will have on the Station's financial statements.

NOTE 2 – TAX STATUS

The Station is operated by the University and is exempt from Federal and Kentucky income taxes and from property taxes levied by any taxing body as part of a governmental entity.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is as follows:

	July 1, 2014	Additions	Disposals	June 30, 2015
Assets:				
Buildings, antenna and tower	$ 213,539	$ -	$ -	$ 213,539
Studio, broadcasting equipment and furniture	226,216	48,152	-	274,368
	439,755	48,152	-	487,907
Less accumulated depreciation:				
Buildings, antenna and tower	(188,082)	(9,974)	-	(198,056)
Studio, broadcasting equipment and furniture	(208,441)	(10,041)	-	(218,482)
	(396,523)	(20,015)	-	(416,538)
Capital assets – net	$ 43,232	$ 28,137	$ -	$ 71,369

(Continued)

NOTE 4 – COMPENSATED ABSENCES

University employees, including Station employees, begin to accumulate annual vacation allocations from the beginning date of employment; however, accrued vacation is not granted until three months of employment have been completed. The maximum accumulation of vacation leave is limited to the number of days that can be accumulated in two years, based on the length of service. Employees are paid their accumulated vacation upon termination, subject to certain limitations.

University policy permits most employees to accumulate vacation that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized when vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay in effect and related benefit costs at the Statement of Net Position date. The balance was approximately $31,000 at the Statement of Net Position date and is recorded as part of accrued salaries and benefits.

NOTE 5 – RELATED PARTIES

The Station receives support from the University in the form of a variety of provided services. For the years ended June 30, 2015, these amounts totaled approximately $824,000. Continuation of University support is fundamental to the operations of the Station.

NOTE 6 – RISK MANAGEMENT

The Station is an operating unit of the University. The Station and University are exposed to various risks of loss from torts, theft of, damage to or destruction of assets, business interruption, workers' compensation, employee injuries and illnesses, natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from these risks, other than employee health. Settled claims have not exceeded this commercial coverage in any of the three preceding years. As a sovereign entity of the Commonwealth, the Kentucky Board of Claims handles tort claims on behalf of the University.

NOTE 7 – CONTINGENCIES

The Station is subject to certain claims and lawsuits that arise in the normal course of business. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Station in connection with its legal proceedings will not have a material adverse effect on the financial position or the results of operations of the Station.

(Continued)

NOTE 8 – PENSION PLANS

KERS provides retirement benefits based on an employee's final average salary and number of years of service. Benefits are subject to certain reductions if the employee retires before reaching age 65 or has less than 27 years of service. The plan also provides for disability, death and survivor benefits, and medical insurance. Employees in nonhazardous positions contribute 5% of salary. Employers contribute at the rate determined by the KERS Board of Trustees to be necessary for the actuarial soundness of the systems as required by KRS 61.565. The employer rate is reviewed annually following valuation of the plan. Effective July 1, 2011 the University contribution rate to KERS is 19.82%. Employees hired prior to September 1, 2008 contribute 5% of their annual salary, employees hired after September 1, 2008, contribute 6%.The Station's contributions to KERS for the year ended June 30, 2015 and 2014 were $30,536 and $21,425, respectively, which was equal to the required contribution for that year. Substantially all full-time University employees (including Station employees), other than full-time University faculty members and certain other staff occupying a position requiring certification or graduation from a four-year college or university as a condition of employment, are required by law to participate in the Kentucky Employees Retirement System ("KERS"), a cost sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System ("KRS"), an agency of the Commonwealth. Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees ("Board") of KRS administers the KERS, County Employees Retirement System and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rate share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. The KERS issues a publicly available financial report that includes financial statements and required supplementary information for the KERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Benefits Provided: The information below summarizes the major retirement benefit provisions of KERS-Non-Hazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Non-Hazardous Normal Retirement:

Members whose participation began before 8/1/2004:

Age requirement:	65
Service requirement:	At least one month of non-hazardous duty service credit.
Amount:	If a member has at least 48 months of service, the monthly benefit is 1.97% times final average compensation times years of service. For members who were participants in any one of the state retirement systems from January 1, 1998 through January 1, 199, the benefit factor is 2.00%. For those members who retired between January 1, 1999 and January 31, 2009 with at least 240 months of service, the benefit factor is 2.20%. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Members whose participation began on or after 8/1/2004, but before 9/1/2008:

Age requirement: 65

Service requirement: At least one month of non-hazardous duty service credit.

Amount: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service.

Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used.

If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age/Service Requirement: Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87

Amount: The monthly benefit is the following benefit factor based on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

Service Credit	Benefit Factor
10 years or less	1.10%
10 - 20 years	1.30%
20 - 26 years	1.50%
26 - 30 years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Members whose participation began on or after 1/1/2014:

Age/Service Requirement:	Age 65 with 60 months of non-hazardous duty service credit, or age 57 if age plus service equals at least 87
Amount:	Each year that a member is an active contributing member to the system, the member and the member's employer will contribute 5.00% and 4.00%, respectively, of creditable compensation into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the system's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the system as a lump sum or annuitized into a single life annuity option.

Contributions: For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008 were required to contribute 5% of their annual creditable compensation. The Commonwealth was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the fiscal year ended June 30, 2015, participating employers contributed 38.77%, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal year ended June 30, 2015 was 45.28% of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investments earnings.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the one percent was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the pension fund (see Kentucky Administrative Regulation 105KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the cash balance plan. The cash balance plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

<u>Total Pension Liability</u>: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2008.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Discount Rate Assumptions:

(a) Discount rate: The discount rate used to measure the total pension liability was 7.75%.

(b) Projected cash flows: The projection of cash flows used to determine the discount rate assumed the local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

(c) Long-term rate of return: The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Municipal bond rate: The discount rate determination does not use a municipal bond rate.

(e) Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2116. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Assumed asset allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	1.25%
Real estate	5%	7.00%
Core U.S. fixed income	10%	5.25%
High-Yield U.S. fixed income	5%	7.25%
Non-U.S. fixed income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

(g) Sensitivity analysis: This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Eastern Kentucky University's allocated portion of the net pension liability ("NPL") of the system, calculated using the discount rate of 7.75 percent, as well as what the allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate (in thousands):

Eastern Kentucky University's proportionate share of:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Eastern Kentucky University's proportionate share of net pension liability (in thousands)	$ 162,050	$ 144,048	$ 127,818
The Station's proportionate share of net pension liability (in thousands)	$ 563	$ 501	$ 437

Employer's Portion of the Collective Net Pension Liability: The proportionate share of the NPL, as indicated in the prior table, is $144,048,296 or 1.61%. The liability was distributed based on 2014 actual employer contributions to the plan. The proportionate share of the NPL for the Station is $501,312.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Measurement Date: June 30, 2014 is the actuarial valuation date upon which the TPL is based. No update procedures were used to determine the TPL. An expected TPL is determined as of July 1, 2013 using standard roll back techniques. The roll back calculation subtracts the annual normal cost (also called the service costs), adds the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the TPL as of July 1, 2013, as shown in the GASB 67 report for KERS submitted on November 17, 2014.

Changes in Assumptions and Benefit Terms: There were no changes in assumptions or benefit terms since the prior measurement date.

Changes Since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension Expense: Eastern Kentucky University recognized $10,887,000 of pension expense during 2015. The Station's portion of this pension expense is $37,887.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. As noted in the previous section, the amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive system members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

The table below provides a summary of the deferred inflows and outflows as of the measurement date.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 6,443
Employer contributions subsequent to the measurement date	30,536	-
Total	$ 30,536	$ 6,443

At June 30, 2015, the Station reported $30,536 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Deferred inflows of resources at June 30, 2015, related to pensions will be recognized in pension expense as follows:

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date

Fiscal Years	Amount
2016	$ 1,611
2017	1,611
2018	1,611
2019	1,610
Total	$ 6,443

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent,
Salary Increase	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Summary Pension Plan Information:

	KERS
Net pension liability	$ 501,312
Deferred outflows of resources	30,536
Deferred inflows of resources	6,443
Pension expense	37,887

SCHEDULE OF THE STATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2015

KERS

Station's proportion of the net pension liability	0.0056%
Station's proportionate share of the net pension liability	$ 501,312
Station's covered-employee payroll	$ 95,050
Station's proportionate share of the net pension liability as a percentage of its covered-employee payroll	527.42%
Plan fiduciary net position as a percentage of the total pension liability	22.32%

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

KERS – Non-Hazardous

Contractually required contribution	$ 30,536
Contributions in relation to the contractually required contribution	(30,536)
Contribution deficiency (excess)	$ -
Station's covered-employee payroll	$ 95,050
Contributions as a percentage of covered-employee payroll	32.13%

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.