EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
Richmond, Kentucky

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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Crowe Horwath.

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 years ended June 30, 2017 and 2016, 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 audits. We conducted our audits 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, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2017 and 2016, 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.

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 7, the Schedule of the Station's Proportionate Share of the Net Pension Liability on page 31 and the Schedule of the Station's Contributions on page 32, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 13, 2018

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, 2017, with selected comparative information for the years ended June 30, 2016 and 2015. 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.

Financial Highlights

The financial statements indicate a mixed financial year as reflected in the financial statements.

Assets and deferred outflows were $993,000 at June 30, 2017 compared to $1,193,000 and $410,000 at June 30, 2016 and 2015, respectively. This was primarily the result of a decrease of approximately $156,000 in cash, $150,000 in deferred outflows related to KERS/KTRS pension and an increase of $83,000 in capital assets. Liabilities and deferred inflows were $1,672,000 at June 30, 2017, compared to $1,206,000 and $659,000 at June 30, 2016 and 2015, respectively. This was primarily the result of an increase of approximately $469,000 in the KTRS/KERS pension liability.

Operating revenues from contracts and grants for the year ended June 30, 2017 of $184,000 were $45,000 lower than the previous year. This is largely due to the Station's re-evaluation of funding uses.

Operating expenses were $2,509,000 at June 30, 2017 compared to $1,834,000 at June 30, 2016 and $1,559,000 at June 30, 2015. The loss from operations for the year ended June 30, 2017 was $2,326,000 compared to $1,606,000 loss from operations at June 30, 2016 and $1,842,000 at June 30, 2015. Nonoperating revenues of $1,660,000 for the year ended June 30, 2017 decreased $182,000 compared to $1,842,000 for the year ended June 30, 2016 and $1,342,000 for the year ended June 30, 2015. This decrease is primarily the result of a significant decrease in other income for the year.

Total net position decreased $666,000 from the combination of the loss from operations plus nonoperating revenues. Net position for the year ended June 30, 2017 was $(679,000) compared to $(13,000) for the year ended June 30, 2016.

Using this Annual Report

The financial statements consist of the Statements of Net Position as of June 30, 2017 and 2016, 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

	2017	2016	2015
Assets:			
Current assets	$ 482,000	$ 615,000	$ 308,000
Capital assets – net	148,000	65,000	71,000
Total assets	630,000	680,000	379,000
Deferred outflows			
Contributions to KERS/KTRS pension	363,000	513,000	31,000
Total deferred outflows	363,000	513,000	31,000
Total assets and deferred outflows	993,000	1,193,000	410,000
Liabilities	1,656,000	1,185,000	653,000
Deferred inflows	16,000	21,000	6,000
Total liabilities and deferred inflows	1,672,000	1,206,000	659,000
Net position:			
Net investment in capital assets	148,000	65,000	71,000
Unrestricted	(827,000)	(78,000)	(320,000)
Total net position	$ (679,000)	$ (13,000)	$ (249,000)

- **Assets** - As of June 30, 2017, the Station's total assets amounted to $630,000. Cash of $341,000 represented the Station's largest asset or 54% of total assets. For the year ended June 30, 2016, cash represented 73% of total assets. For the year ended June 30, 2015, cash represented 47% of total assets. Of total assets, cash saw the largest increase from fiscal year 2016 to 2017.

- **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, 2017 totaled $363,000 and represent contributions to the KERS and KTRS pension. The balance was $513,000 and $31,000 for the years ended June 30, 2016 and 2015, respectively.

- **Liabilities** – As of June 30, 2017, the Station's liabilities amounted to $1,656,000. Pension Liability comprised 97% of total liabilities. Liabilities totaled $1,185,000 and $652,000 for the years ended June 30, 2016 and 2015, respectively. Pension Liability comprised 95% and 77% of total liabilities, respectively.

  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, 2017, totaled $16,000 and represent the KERS and KTRS pension. The balance was $21,000 and $6,000 for the years ended June 30, 2016 and 2015.

- **Net Position** – Total net position was $(679,000) at June 30, 2017, a decrease of $(666,000) from June 30, 2016. Net position includes $148,000 of net investment in capital assets and $(827,000) 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

	2017	2016	2015
Operating revenues:			
Federal grants and contracts	$ 184,000	$ 228,000	$ 158,000
Operating expenses:			
Program services	915,000	819,000	866,000
Supporting services	1,559,000	990,000	672,000
Depreciation	36,000	25,000	20,000
Total operating expenses	2,510,000	1,834,000	1,558,000
Operating loss	(2,326,000)	(1,606,000)	(1,400,000)
Nonoperating revenues	1,660,000	1,842,000	1,341,000
Increase (decrease) in net position	(666,000)	236,000	(59,000)
Net position – beginning of year	(13,000)	(249,000)	(190,000)
Net position – end of year	$ (679,000)	$ (13,000)	$ (249,000)

Revenue – Total operating revenues were $184,000 for the year ended June 30, 2017, compared to $228,000 and $158,000 for the years ended June 30, 2016 and 2015, which consisted entirely of Federal grants and contracts.

Expenses – Operating expenses totaled $2,510,000 for the year ended June 30, 2017. Of this amount, $357,000 or 14% was used for programming and expenses related to production; $558,000 or 22% was used for broadcasting expenses; $1,387,000 or 55% for management and general expenses; $96,000 or 4% for fundraising; $76,000 or 3% for underwriting; and $36,000 or 1% for depreciation. The related proportions of operating expenses for the year ended June 30, 2016 were 20%, 35%, 34%, 5%, 4% and 1%, respectively. The related proportions of operating expenses for the year ended June 30, 2015 were 20%, 35%, 34%, 5%, 4% and 1%, respectively.

Nonoperating Revenues – Nonoperating revenues for the year ended June 30, 2017 amounted to $1,660,000 compared to $1,842,000 for the year ended June 30, 2016, and $1,342,000 for the year ended June 30, 2015. Of this amount, $519,000 was for general appropriations from the University and $583,000 for indirect administrative support from the University. It included $159,000 from other income, which is from underwriting from corporate support and contributions of $397,000.

Pension Expense – Pension expense for the year ended June 30, 2017 amounted to $615,000 compared to $161,000 for the year ended June 30, 2016.

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

	2017	2016	2015
Cash provided by (used in):			
Operating activities	$(1,113,000)	$ (1,062,000)	$ (1,225,000)
Noncapital financing activities	1,076,000	1,399,000	1,009,000
Capital and related financing activities	(119,000)	(19,000)	(48,000)
Net increase (decrease) in cash	(156,000)	318,000	(264,000)
Cash – beginning of year	497,000	179,000	443,000
Cash – end of year	$ 341,000	$ 497,000	$ 179,000

Major sources of funds included in operating activities were Federal grants and contracts of $191,000 for the year ended June 30, 2017, compared to $191,000 and $193,000 for the years ended June 30, 2016 and 2015. The largest cash payments for operating activities in 2017 were $635,000 to employees and $681,000 to suppliers. Comparative amounts for the years ended June 30, 2016 and 2015 were $565,000 and $578,000 to employees and $695,000 and $775,000 to suppliers respectively.

For the year ended June 30, 2017, the largest cash inflow is the appropriation from the University of $519,000 compared to $669,000 and $492,000 in 2016 and 2015, respectively.

Factors Impacting Future Periods

Continued implementation of fiscal year 2016 consultant-recommended improvements helped to drive WEKU to yet another impressive record setting year in individual contributions. Further implementation of best-practices have allowed the station to increase our monthly giving members from about 25% of givers to about 50% of annual givers. These sustaining members are much more likely to continue supporting the station as their gifts are on-going and already within our processing system. Further attention to retaining these Sustaining members should help the station push past last year's total of over $390,000 in individual contributions. Increased attention to the role of the press in a free and civil society has also pushed significant increases in listenership in the past year. The station's weekly cumulative audience topped the 60,000 mark in Fall 2017 ratings information supplied by the Nielsen organization. WEKU has also seen significant listener awareness of the local and regional reporting for which national grant funding has provided the seed money. The Ohio Valley Resource has already partnered with NPR to produce award-winning reporting on the current plight of black-lung cases in Appalachia.

Already in the first half of the year ending June 30, 2018, membership revenue is 3% ahead of last year's record with underwriting keeping pace with their 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 year to year but certain factors may stall that continued decline for this fiscal year. While increases in individual support and underwriting are expected we have added one grant-funded position (which the station pays a share of) and given work and cost-shared another position to give reporting-relief to another fellow EKU Department.

In order to continue to grow our audience we took advantage of a federal grant to add another corporate support representative within the fiscal year. That second corporate support representative started in November, has gotten up-to-speed during this fiscal year, and should help us significantly raise corporate support back to where we can sustain a 5% growth over last year's flat growth. 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 proactively track expenses and strictly implement a conservative budget.

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.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets		
Cash	$ 341,062	$ 496,637
Investments	65,700	60,077
Accounts receivable	74,627	57,877
Prepaid expenses	775	-
Total current assets	482,164	614,591
Capital assets, net	147,640	65,059
Deferred outflows		
KERS/KTRS pension	362,912	513,271
Total assets and deferred outflows	$ 992,716	$ 1,192,921
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 23,896	$ 11,960
Accrued salaries and benefits	24,165	42,251
Unearned revenue	7,752	460
Total current liabilities	55,813	54,671
Net pension liability	1,599,763	1,130,583
Total liabilities	1,655,576	1,185,254
Deferred inflows		
KERS/KTRS pension	16,356	20,703
Total liabilities and deferred inflows	1,671,932	1,205,957
Net position		
Net investment in capital assets	147,640	65,059
Unrestricted	(826,856)	(78,095)
Total net position	(679,216)	(13,036)
Total liabilities, deferred inflows and net position	$ 992,716	$ 1,192,921

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Federal grants and contracts	$ 183,671	$ 228,495
OPERATING EXPENSES		
Program services		
Programming and production	357,045	305,696
Broadcasting	557,620	513,037
Supporting services		
Management and general	1,387,271	820,772
Fundraising and membership development	95,627	93,479
Underwriting and grant solicitation	75,691	75,894
Depreciation	36,234	25,371
Total operating expenses	2,509,488	1,834,249
Operating loss	(2,325,817)	(1,605,754)
NONOPERATING REVENUES		
General appropriation from Eastern Kentucky University	518,844	668,773
Indirect administrative support	583,072	442,436
Other income	158,706	336,149
Interest income	1,776	1,715
Contributions	397,239	392,760
Total net nonoperating revenues	1,659,637	1,841,833
Increase (decrease) in net position	(666,180)	236,079
Net position, beginning of year	(13,036)	(249,115)
Net position, end of year	$ (679,216)	$ (13,036)

See accompanying notes to financial statements.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Grants and contracts received	$ 190,963	$ 191,209
Registration and fees	10,870	6,914
Payments to suppliers	(680,548)	(695,168)
Payments for salaries and benefits	(634,610)	(565,397)
Net cash from operating activities	(1,113,325)	(1,062,442)
Cash flows from noncapital financing activities		
General appropriation from Eastern Kentucky University and other income	518,844	668,773
Contributions received	397,239	392,760
Other	160,482	337,864
Net cash from noncapital financing activities	1,076,565	1,399,397
Cash flows from capital and related financing activities		
Purchase of capital assets	(118,815)	(19,061)
Change in cash	(155,575)	317,894
Cash, beginning of year	496,637	178,743
Cash, end of year	$ 341,062	$ 496,637
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (2,325,817)	$ (1,605,754)
Indirect, administrative support	583,072	442,436
Depreciation	36,234	25,371
(Gain) loss on investments	(5,623)	2,859
Changes in operating assets and liabilities:		
Accounts receivable	(16,750)	6,914
Accounts payable	11,936	(67,917)
Prepaid expenses	(775)	1,359
Accrued salaries and benefits	(18,086)	8,780
Unearned revenue	7,292	(37,286)
Net pension liability	469,180	629,271
Deferred inflow	(4,347)	14,260
Deferred outflow	150,359	(482,735)
Net cash flows used in operating activities	$ (1,113,325)	$ (1,062,442)

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT 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 and Eastern Kentucky University Foundation, Inc. (the “Foundation”) that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of the University or the Foundation as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows, for the years 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 acquisition 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 SIGNIFICANT 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 Teachers' Retirement system (KTRS) and the Kentucky Employees Retirement System (KERS) and additions to /deductions from KTRS' and KERS' fiduciary net position have been determined on the same basis as they are reported by KTRS and 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 loss balance and pension contributions made after the measurement date. Deferred inflows consist of the KTRS and KERS pension related unamortized balances.

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 SIGNIFICANT 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 2017, the Station adopted the following accounting pronouncements:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, issued June 2015. 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. 77, *Tax Abatement Disclosures*, issued August 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.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December, 2015. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016. This Statement clarifies that certain component units incorporated as not-for-profit corporations should be blended in the financial statements of the primary state or local government in a manner similar to a department or activity of the primary government. The Statement addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016. This Statement addresses certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of these statements did not have a significant impact on the Station's financial position or results of operations.

Recent Accounting Pronouncements - As of June 30, 2017, the GASB has issued the following statements not yet implemented by the University.

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. 81, *Irrevocable Split-Interest Agreements*, issued March 2016. The provisions of this Statement are effective for reporting periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016. The provisions of this Statement are effective for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The provisions of this Statement are effective for periods beginning after December 15, 2018. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*, issued March 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial

(Continued)

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87, *Leases*, issued June 2017. The provisions of this Statement are effective for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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, 2017, is as follows:

	July 1, 2016	Additions	Disposals	June 30, 2017
Assets:				
Buildings, antenna and tower	$ 232,600	$ 118,815	$ (58,900)	$ 292,515
Studio, broadcasting equipment and furniture	274,368	-	(35,262)	239,106
	506,968	118,815	(94,162)	531,621
Less accumulated depreciation:				
Buildings, antenna and tower	(208,347)	(21,813)	58,900	(171,260)
Studio, broadcasting equipment and furniture	(233,562)	(14,421)	35,262	(212,721)
	(441,909)	(36,234)	94,162	(383,981)
Capital assets – net	$ 65,059	$ 82,581	$ -	$ 147,640

(Continued)

NOTE 3 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2016, is as follows:

	July 1, 2015	Additions	Disposals	June 30, 2016
Assets:				
Buildings, antenna and tower	$ 213,539	$ 19,061	$ -	$ 232,600
Studio, broadcasting equipment and furniture	274,368	-	-	274,368
	487,907	19,061	-	506,968
Less accumulated depreciation:				
Buildings, antenna and tower	(198,056)	(10,291)	-	(208,347)
Studio, broadcasting equipment and furniture	(218,482)	(15,080)	-	(233,562)
	(416,538)	(25,371)	-	(441,909)
Capital assets – net	$ 71,369	$ (6,310)	$ -	$ 65,059

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 at June 30, 2017 and 2016 was approximately $20,000 and $39,000, respectively, and is recorded as part of the 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, 2017 and 2016, these amounts totaled approximately $1,102,000 and $1,111,000, respectively. Continuation of University support is fundamental to the operations of WEKU.

(Continued)

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.

NOTE 8 – PENSION PLANS

Kentucky Teachers' Retirement System

Plan Description – All 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 covered by the Kentucky Teachers' Retirement System (KTRS), a cost sharing - multiple employer public employee retirement system. KTRS is a defined benefit plan providing for retirement, disability, death benefits and health insurance. Participants have a fully vested interest after the completion of 60 months of service, 12 of which are current service.

KTRS issues a publicly available financial report that includes financial statements, required supplementary information, and detailed information about the pension plan's fiduciary net position. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601, by calling (502) 573-3266, or visiting the website at http://ktrs.ky.gov.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Benefits Provided

	Tier 1 Participation Prior to July 1, 2008	**Tier 2** Participation on or After July 1, 2008
Covered Employees:	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)	University faculty and professional staff that do not choose the Optional Retirement Plan (Deferred Contribution)
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service	
Final Compensation:	Average of the highest 5 annual salaries reduced 5% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.	Average of the highest 5 annual salaries reduced 6% per year from the earlier of age 60 or the date 27 years of service would have been completed. Average of the highest 3 annual salaries if age 55 with 27 or more years of service. The minimum annual service allowance for all members is $440 multiplied by credited service.
Benefit Factor:	Non-University members: 2.00% for service prior to 7/1/1983; 2.50% for service after 7/1/1983; 2.00% if participation after 7/1/2002 and less than 10 years; 2.50% if participation after 7/1/2002 and more than 10 years; 3.00% if retire after 7/1/2004 with more than 30 years. University members: 2.0% for each year of service.	Non-University members: 1.70% if less than 10 years; 2.00% if greater than 10 years, but no more than 20 years; 2.30% if greater than 20 years, but no more than 26 years; 2.50% if greater than 26 years, but no more than 30 years; 3.00% for service greater than 30 years. University members: 1.50% if less than 10 years; 1.70% if greater than 10 years, but less than 20 years; 1.85% if greater than 20 years, but less than 27 years; 2.00% if greater than 27 years.
Cost of Living Adjustment (COLA):	1.5% annually additional ad hoc increases must be authorized by the General Assembly.	
Unreduced Retirement Benefit:	Any age with 27 years of Kentucky service. Age 55 with 5 years of Kentucky service.	Any age with 27 years of Kentucky service. Age 60 with 5 years of Kentucky service. Age 55 with 10 years of Kentucky service.
Reduced Retirement Benefit:	Must be retired for service or disability to be eligible. Retired members are given a supplement based upon a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement.	

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Contributions - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statutes 161.540, 161.550 and 161.565, contribution requirements of the active employees and the participating organizations are established and may be amended by the KTRS Board. For the fiscal years ended June 30, 2017 and 2016, University employees were required to contribute 7.625 percent of their annual covered salary for retirement benefits. The University was contractually required to contribute 15.87 percent and 15.36 percent of covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. The actuarially determined amount, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total contributions to KTRS for the years ending June 30, 2017 and 2016 were $8,813,559 and $8,843,107, respectively, and were equal to the required contributions for the year. The Station's total contributions to KTRS for the years ended June 30, 2017 and 2016 were $20,955 and $15,060, respectively. In addition, the Commonwealth of Kentucky contributes ad hoc annual cost of living adjustments provided by the General Assembly for KTRS retirees. These contributions totaled $847,798 and $899,615 for the years ending June 30, 2017 and 2016.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2017 and 2016, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the University by the Commonwealth of Kentucky. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows:

	2017	2016
University's proportionate share of the net pension liability	$ 349,600,340	$ 274,716,842
Commonwealth of Kentucky's proportionate share of the net pension liability associated with the University	32,949,104	27,936,152
	$ 382,549,444	$ 302,652,994
Station's proportionate share of the University net pension liability	$ 528,641	$ 452,298

The net pension liability was measured as of June 30, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 and update procedures were used to roll forward the total pension liability to the measurement date. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2017, 2016 and 2015, the University's proportion was 1.13 percent, 1.12 percent and 1.10 percent, respectively, and the Commonwealth of Kentucky's proportion associated with the University was 0.11 percent, 0.11 percent and 0.12 percent, respectively. The Station's proportion of the University's NPL was based on the Station employees' share of contributions to the pension plan relative to the contributions of all University employees. That proportion was 0.15 percent, 0.16 percent and 0.00 percent as of June 30, 2017, 2016 and 2015, respectively, and the Station's proportion of the total plan was 0.0017 percent, 0.0019 percent, and 0.00 percent, respectively.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

For the year ended June 30, 2017 and 2016, the University recognized pension expense of $33,943,956 and $15,596,654 and revenue of $2,591,533 and $1,365,177. For the year ended June 30, 2017 and 2016, the Station recognized pension expense of $317,810 and $92,555 and revenue of $3,919 and $1,759.

At June 30, 2017 and 2016, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017		
Net difference between projected and actual earnings on investments	$ 16,334	$ -
Change in assumptions	77,762	3,056
Differences between expected and actual experience	-	13,300
Changes in proportionate share of contributions	21,965	-
	116,061	16,356
Contributions subsequent to the measurement date	18,571	-
	$ 134,632	$ 16,356
2016		
Net difference between projected and actual earnings on investments	$ -	$ 11,402
Change in assumptions	27,786	4,364
Differences between expected and actual experience	-	4,937
Changes in proportionate share of contributions	340,760	-
	368,760	20,703
Contributions subsequent to the measurement date	11,900	-
	$ 380,446	$ 20,703

At June 30, 2017 and 2016, the Station reported $18,571 and $11,900 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 following fiscal year. Deferred outflows and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

2018	$ 22,138
2019	22,138
2020	28,191
2021	20,638
2022	6,600
	$ 99,705

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Actuarial assumptions - The total pension liability was determined by actuarial valuations as of June 30, 2015 and 2014 and update procedures were used to roll forward the total pension liability to the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.00% - 8.20%, including inflation
Investment Rate of Return	7.50%, net pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table for Males and Females, as appropriate with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010 adopted by the Board on September 19, 2011. The results of the experience study for the period July 1, 2010-June 30, 2015 will be reflected in the June 30, 2016 valuation.

The long-term expected return on plan was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0	6.5
Fixed Income	24.0	1.6
High Yield Bonds	4.0	3.1
Real estate	4.0	5.8
Alternatives	4.0	6.8
Cash	2.0	1.5
Total	100%	

Changes in Assumptions and Benefit Terms Since Prior Measurement Date - The total pension liability as of June 30, 2016 reflects that the assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the Single Equivalent Interest Rate (SEIR) from 4.88% to 4.20%. The total pension liability as of June 30, 2015 reflects a change in the municipal bond index rate from the prior measurement date to the measurement date resulting in the SEIR changing from 5.23% at the prior measurement date to 4.88% at the measurement date. The change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Changes Since Measurement Date - There were no changes between the measurement date of the collective net pension liability and the University reporting date that are expected to have a significant effect on the University's proportionate share of the collective net pension liability.

NOTE 8 – PENSION PLANS (Continued)

Discount rate - The discount rate used to measure the total pension liability at June 30, 2016 was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The SEIR that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The discount rate used to measure the total pension liability at June 30, 2015 was 4.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.82% was applied to all periods of projected benefit payments after 2035. The SEIR that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

The total pension liability as of June 30, 2016 reflects that the assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the SEIR from 4.88% to 4.20%. The impact of this change in the discount rate is a change in assumptions that is added to the expected total pension liability to determine the final total pension liability as of June 30, 2016.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the University as of June 30, 2017, calculated using the discount rate of 4.20%, as well as what the University's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.20%) or 1-percentage-point higher (5.20%) than the current rate:

	1% Decrease (3.20)	Current Discount Rate (4.20%)	1% Increase (5.20%)
Proportionate share of the collective net pension liability (in thousands)	$ 428,885	$ 349,600	$ 284,530
The Station's proportionate share of net pension liability (in thousands)	$ 649	$ 529	$ 431

(Continued)

NOTE 8 – PENSION PLANS (Continued)

The following presents the University's proportionate share of the net pension liability (in thousands) calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2016:

	1% Decrease (3.88)	Current Discount Rate (4.88%)	1% Increase (5.88%)
Proportionate share of the collective net pension liability (in thousands)	$ 341,915	$ 274,717	$ 219,109
The Station's proportionate share of net pension liability (in thousands)	$ 564	$ 452	$ 361

Kentucky Employees Retirement System

Plan Description - The University contributes to 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 ("KRS 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 rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

More specifically, within KERS, Station employees of Eastern Kentucky University participate in the non-hazardous portion of the plan, which covers all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by executive order to participate in KERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances.

KRS issues a publicly available financial report that includes audited financial statements and audited required supplementary information for 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

	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/13	Tier 3 Participation 1/1/2014
Benefit Formula	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor	1.97% or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA)	No COLA unless authorized by the Legislature. If authorized, the COLA is limited to 1.5%. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit	Any age with 27 years of service. Age 65 with 48 months of service. Money purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No month purchased calculations.	
Reduced Retirement Benefit	Any age with 25 years of service. Age 55 with 5 years of service.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military).	No reduced retirement benefit.

Contributions - Benefit and contribution rates are established by state statute. Per Kentucky Revised Statute 61.565(3) contribution requirements of the active employees and the participating organizations are established and may be amended by the KRS Board. For the fiscal year ended June 30, 2017, University non-hazardous and hazardous employees were required to contribute 5 percent and 8 percent, respectively, of their annual covered salary for retirement benefits for the years ended June 30, 2017 and 2016. Non-hazardous employees with a participation date after 9/1/2008 were required to contribute an additional 1 percent of their covered salary for retiree healthcare benefits. The University was contractually required to contribute 38.77 percent of annual covered payroll for non-hazardous pay for the years ended June 30, 2017, 2016 and 2015. Actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The University's total contributions to KERS for the years ended June 30, 2017 and 2016 were $10,861,638 and $9,072,547, respectively. The Station's total contributions to KERS for the years ended June 30, 2017 and 2016 were $72,938 and $46,835, respectively.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions - At June 30, 2017 and 2016, the University reported a liability of $207,489,499 and $171,779,621 for its proportionate share of the non-hazardous net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on actual contributions to the pension plan during the measurement period. At June 30, 2017, 2016 and 2015, the University's proportion was 1.82 percent, 1.71 percent and 1.61 percent for non-hazardous, respectively. The Station's proportion of the University's NPL was based on the Station employees' share of contributions to the pension plan relative to the contributions of all University employees. That proportion was $1,071,122 and $678,285 or 0.52 percent and 0.39 percent as of June 30, 2017 and 2016, respectively, and the Station's proportion of the total plan was 0.0094 percent and 0.0068 percent, respectively.

For the years ended June 30, 2017 and 2016, the University recognized non-hazardous pension expense of $30,764,610 and $18,924,062. For the year ended June 30, 2017 and 2016, the Station recognized pension expense of $297,382 and $68,242.

At June 30, 2017, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2017		
Net difference between projected and actual earnings on investments	$ 16,446	$ -
Change in assumptions	81,135	-
Differences between expected and actual experience	1,119	-
Changes in proportionate share of contributions	56,642	-
	155,342	-
Contributions subsequent to the measurement date	72,938	-
	$ 228,280	$ -
2016		
Net difference between projected and actual earnings on investments	$ 2,543	$ -
Change in assumptions	44,012	-
Differences between expected and actual experience	1,873	-
Changes in proportionate share of contributions	37,562	-
	85,990	-
Contributions subsequent to the measurement date	46,835	-
	$ 132,825	$ -

(Continued)

NOTE 8 – PENSION PLANS (Continued)

At June 30, 2017 and 2016, the Station reported $72,938 and $46,835 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 subsequent year. Deferred outflows and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

2018	$ 86,874
2019	53,390
2020	9,666
2021	5,412
	$ 155,342

Actuarial assumptions - The total pension liability was determined by actuarial valuations as of June 30, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

	2016	2015
Inflation	3.25%	3.25%
Salary increases, average including inflation	4.00%	4.00%
Investment rate of return, net of expense, including inflation	6.75%	7.50%

For the June 30, 2016 and 2015 actuarial valuation, the rates of mortality for both non-hazardous and hazardous, for the period before retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). The rates of mortality for the period after service retirement are according to the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females) for all healthy retired members and beneficiaries. The RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2008.

Discount Rate Assumptions:

(a) Discount rate: The discount rate used to measure the total pension liability was 6.75% for non-hazardous and 7.50% for hazardous.

(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 27 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.

(Continued)

NOTE 8 – PENSION PLANS (Continued)

(c) Long-term rate of return: The long-term rate of return assumption on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis is dated December 5, 2015. 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 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.

(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 2117.

(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 tables:

2016

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
Combined equity	50%	5.30%
Intermediation duration fixed income	11	1.00
Custom KRS fixed income	11	3.33
Core real estate	5	4.25
Diversified hedge funds	10	4.00
Private equity	2	8.00
Diversified inflation strategies	8	3.15
Cash equivalent	3	(0.25)
Total	100%	

(Continued)

NOTE 8 – PENSION PLANS (Continued)

2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined equity	42%	5.40%
Combined fixed income	20%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	3%	4.50%
Absolute returns (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	5%	(0.25%)
Total	100%	

Discount rate - The discount rate used to measure the total pension liability was 6.75% for the June 30, 2016 actuarial valuation and 7.50% for the June 30, 2015 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long–term assumed investment return of 6.75% for the June 30, 2016 actuarial valuation and 7.50% for the June 30, 2015 actuarial valuations. The long–term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate - The University's proportionate share of the net pension liability has been calculated using a discount rate of 6.75% for the June 30, 2016 actuarial valuation and 7.50% for the June 30, 2015 actuarial valuation. The following presents the University's proportionate share of the net pension liability (in thousands) calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2017:

	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)	$ 233,752	$ 207,490	$ 131,377
The Station's proportionate share of net pension liability (in thousands)	$ 1,207	$ 1,071	$ 678

NOTE 8 – PENSION PLANS (Continued)

The following presents the University's proportionate share of the net pension liability (in thousands) calculated using a discount rate 1% higher and 1% lower than the current rate as of June 30, 2016:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Eastern Kentucky University's proportionate share of net pension liability (in thousands)	$ 193,495	$ 171,780	$ 153,409
The Station's proportionate share of net pension liability (in thousands)	$ 764	$ 678	$ 605

Changes in assumptions and benefit terms since prior measurement date - The following change in the Plan's assumptions and benefit terms were reflected in the valuation performed as of June 30, 2016 and 2015:

2016:
- The assumed investment rate of return, and discount rate, were decreased from 7.50% to 6.75%

2015
- The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%.

Changes Since Measurement Date - The following changes in the Plan's assumptions and benefit terms will be comprehended at the next measurement date of June 30, 2017. The impact on the University's financial statements from this change is not known.

- The assumed investment rate of return was decreased from 6.75% to 5.25%
- The salary increase assumption was decreased from 4.00% to 0.00%
- The inflation assumption was decreased from 3.25% to 2.3%

NOTE 8 – PENSION PLANS (Continued)

Summary Pension Plan Information:

Summary Pension Plan Information as of June 30, 2017:

	KERS	KTRS	Total
Net pension liability	$ 1,071,122	$ 528,641	$ 1,599,763
Deferred outflows of resources	228,280	134,632	362,912
Deferred inflows of resources	-	16,356	16,356
Pension expense	297,382	317,810	615,192

Summary Pension Plan Information as of June 30, 2016:

	KERS	KTRS	Total
Net pension liability	$ 678,285	$ 452,298	$ 1,130,583
Deferred outflows of resources	132,825	380,446	513,271
Deferred inflows of resources	-	20,703	20,703
Pension expense	68,242	92,555	160,797

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
SCHEDULE OF THE STATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
June 30, 2017 and 2016

KERS	2017	2016	2015
Station's proportion of the net pension liability	0.0094%	0.0068%	0.0056%
Station's proportionate share of the net pension liability	$ 1,071,122	$ 678,285	$ 501,312
Station's covered payroll	$ 228,198	$ 243,069	$ 169,064
Station's proportionate share of the net pension liability as a percentage of its covered payroll	469.38%	279.05%	301.85%
Plan fiduciary net position as a percentage of the total pension liability	14.80%	22.32%	22.32%
KTRS			
Station's proportion of the net pension liability	0.0017%	0.0019%	-
Station's proportionate share of the net pension liability	$ 528,641	$ 452,298	$ -
Station's covered payroll	$ 127,963	$ 122,865	$ -
Station's proportionate share of the net pension liability as a percentage of its covered payroll	413.12%	368.13%	-
Plan fiduciary net position as a percentage of the total pension liability	35.22%	42.49%	45.59%

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

** This is a ten-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 ten years of information is available.

EASTERN KENTUCKY UNIVERSITY
WEKU-FM RADIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE STATION'S CONTRIBUTIONS
June 30, 2017 and 2016

	2017	2016	2015
KERS			
Contractually required contribution	$ 72,938	$ 46,833	$ 30,536
Contributions in relation to the contractually required contribution	(72,938)	(46,833)	(30,536)
Contribution deficiency (excess)	$ -	$ -	$ -
Station's covered payroll	$ 293,228	$ 228,198	$ 243,069
Contributions as a percentage of covered payroll	24.87%	20.52%	12.56%
KTRS			
Contractually required contribution	$ 18,571	$ 11,900	$ -
Contributions in relation to the contractually required contribution	(18,571)	(11,900)	-
Contribution deficiency (excess)	$ -	$ -	$ -
Station's covered payroll	$ 183,229	$ 127,963	$ -
Contributions as a percentage of covered payroll	10.14%	9.30%	-

* This is a ten-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 ten years of information is available.

Changes of benefit terms and assumptions:

KERS

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016: The assumed investment rate of return was decreased from 7.50% to 6.75%.

KTRS

2015: *Changes of benefit terms:* None

Changes of assumptions: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

2016: Since the previous valuation, various economic and demographic assumptions have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2015. The changes adopted by the Board on September 19, 2016, include various demographic and economic assumptions summarized below:

- Price inflation changed assumed rate from 3.50% to 3.00%
- Wage inflation changed assumed rate from 4.00% to 3.50%
- Assumed salary scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages
- Assumed rates of withdrawal, disability, retirement, and mortality have been adjusted to more closely reflect experience.
- The discount rate was changed from 4.88% to 4.20%.