

Audited Financial Statements

**CAMERON UNIVERSITY
KCCU-FM**

June 30, 2014

CAMERON UNIVERSITY KCCU-FM

June 30, 2014

AUDITED FINANCIAL STATEMENTS

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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Independent Auditors' Report

To the Board of Regents for the University of Oklahoma,
Cameron University KCCU-FM
Norman, Oklahoma

Report on the Financial Statements

We have audited the accompanying statement of net position of KCCU-FM (the "Station"), a public telecommunications entity owned and operated by Cameron University ("the University"), as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, on our consideration of the Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

Introduction

KCCU-FM Radio Station (the "Station") is a full service public radio station, licensed to Cameron University (the "University"), serving the Lawton/Fort Sill metropolitan area, towns in the counties of Marshall, Love, Carter, Johnston, Murray, Stephens, Jefferson, Cotton, Grady, Comanche, Tillman, Jackson, Harman, Beckham, Roger Mills, Custer, Washita, Kiowa, Caddo, in Oklahoma; and Wichita, Willbarger, Baylor, Archer and Clay in Texas. Its format is primarily classical music, news/talk on weekdays, with jazz, and variety programs on weekends, broadcasting programs from National Public Radio ("NPR"), Public Radio International ("PRI") and other public radio networks.

At the end of fiscal year 2014, the Station sold one of its under-performing units, KZCU-Woodward (serving Woodward and Ellis Counties in Oklahoma) to the University of Central Oklahoma, located in Edmond, Oklahoma.

In fiscal year 2014, the staff of the Station includes 7 full-time employees and 1 part-time employee. The Station provides in-house educational support to University communications students in broadcast internships. The Station also provides studio facilities in support of State Impact Oklahoma on an as needed basis. State Impact Oklahoma is a collaborative effort of public broadcasters in the state.

The Station originates from studios located on the campus of the University and is delivered by five transmitters and two translators to more than 400,000 residents of central, southwestern, and western Oklahoma and western north Texas. A large portion of the Station's broadcast area is classified as "Rural" by the Corporation for Public Broadcasting (the "CPB"). The Station also streams the broadcast audio over the internet and via smart-phones. The Station has been granted a "Main-studio waiver" by the Federal Communications Commission in Washington, D.C. meaning each station in the network must simulcast the same signal. Listeners in Elk City, Oklahoma hear the same content, at the same-time, as listeners in Wichita Falls, Texas.

The licensee is the Board of Regents of the University of Oklahoma and includes call letters KCCU (Lawton, OK), KOCU (Altus, OK), KYCU (Clinton, OK) KLCU (Ardmore, OK), KMCU (Wichita Falls, TX), KK275AE (Lawton, OK) and K261CR (Chickasha, OK).

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

Overview of the Financial Statements and Financial Analysis

Within this section of the Station's annual financial report, the Station's management provides a narrative discussion and analysis of the financial activities of the Station for the fiscal year ended June 30, 2014. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, it should be read in conjunction with the Station's basic financial statements and footnotes. The overview of the financial statements and financial analysis is presented for fiscal year 2014 with fiscal year 2013 data presented for comparative purposes.

Financial Analysis of the Station as a Whole

The basic financial statements of the Station are the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position presents the financial position of the Station at June 30, 2014. The Statement of Revenues, Expenses, and Changes in Net Position summarize the Station's financial activity for the year ended June 30, 2014. The Statement of Cash Flows, presented using the direct method, reflects the effects on cash that result from the Station's operating activities and capital and related financing activities for the year ended June 30, 2014.

The following schedules are prepared from the Station's basic financial statements. With the exception of the Statement of Cash Flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

Statement of Net Position

This statement is presented with three major categories, namely assets, liabilities, and net position. The assets are classified among current, capital, and other assets. The current assets include funds held for the benefit of the Station. Capital assets include equipment shown net of depreciation. Current liabilities include accounts payable and accrued vacation benefits. These liabilities represent obligations due within one year. Total net position decreased to approximately \$430,000 in 2014 from \$570,000 in 2013.

Following is a comparison of the summarized financial position and net position of the Station at June 30, 2014 and 2013:

	<i>(in thousands)</i>	
	2014	2013
ASSETS		
Current assets	\$ 227	\$ 310
Capital assets, net of depreciation	226	284
TOTAL ASSETS	<u>\$ 453</u>	<u>\$ 594</u>
LIABILITIES		
Current liabilities	<u>\$ 23</u>	<u>\$ 24</u>
NET POSITION	<u>\$ 430</u>	<u>\$ 570</u>

In 2014, the Station added approximately \$18,000 in capital equipment. Depreciation amounted to approximately \$63,000. In addition, the Station disposed of \$10,000 of fully depreciated equipment and sold \$45,000 of partially depreciated equipment.

Statement of Revenues, Expenses, and Changes in Net Position

This statement reflects the effect of operations on net position. The statement is classified between operating and nonoperating revenues and expenses. Operating revenues include public broadcasting grants, underwriting revenue, in-kind underwriting revenue and donations. The majority of nonoperating revenues are made up of general university appropriations.

The Station's operating expenses are classified as program services or support services. Program services include programming and production and broadcasting. Support services include management and general and fund raising.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position—Continued

The following is a comparison of operating results for the years ended June 30, 2014 and 2013:

	<i>(in thousands)</i>	
	2014	2013
OPERATING REVENUES		
Public broadcasting grants	\$ 142	\$ 236
Underwriting revenue	66	56
In-kind underwriting revenue	15	15
Donations	90	92
TOTAL OPERATING REVENUES	<u>313</u>	<u>399</u>
OPERATING EXPENSES		
Program services	529	600
Support services	304	309
TOTAL OPERATING EXPENSES	<u>833</u>	<u>909</u>
OPERATING LOSS	(520)	(510)
NONOPERATING REVENUE		
University appropriations	284	359
Donated facilities	41	53
Gain on sale of assets	37	-
On-behalf payments	18	20
TOTAL	<u>380</u>	<u>432</u>
DECREASE IN NET POSITION	(140)	(78)
NET POSITION, BEGINNING OF YEAR	<u>570</u>	<u>648</u>
NET POSITION, END OF YEAR	<u>\$ 430</u>	<u>\$ 570</u>

The Station relies on three main sources of income: an annual allocation and related in-kind support from the University, which are categorized as non-operating revenue, an annual grant from the CPB, and private donations, both cash and in-kind. Private donations are used for operating, capital expenditures and special projects. Special projects are sometimes funded by grants and contracts.

Grant revenue decreased in fiscal year 2014 due to the Station receiving a one-time \$95,000 Digital Conversion grant from the CPB during fiscal year 2013. This grant helped to offset the loss of the one-time Rural Station Grant received in fiscal year 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

Statement of Revenues, Expenses, and Changes in Net Position—Continued

Operating expenses decreased by \$76,000 due to decreases in salaries and benefits and legal expenses. Salaries and benefits decreased due to personnel changes. Legal expenses decreased due to one-time services retained for assistance in the license renewal from the Federal Communications Commission during fiscal year 2013.

Statement of Cash Flows

This statement is used to determine the Station's ability to meet its obligations and to determine if external financing is needed. It is presented using the direct method with four major classifications: operating activities, noncapital financing activities, capital financing activities and investing activities.

Following is a comparison of cash flows for the years ended June 30, 2014 and 2013:

	<i>(in thousands)</i>	
	2014	2013
CASH PROVIDED BY (USED IN)		
Operating Activities	\$ (440)	\$ (562)
Noncapital Financing Activities	325	412
Capital Financing Activities	(18)	(26)
Investing Activities	133	176
	<u> </u>	<u> </u>
NET CHANGE IN CASH	-	-
CASH AT BEGINNING OF YEAR	-	-
	<u> </u>	<u> </u>
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

Economic Outlook

Throughout fiscal year 2014, the Station continued to make necessary technological improvements. In addition, the Station upgraded its internet streaming capabilities by offering MP3 and iTunes® streams via its website. The Station was one of the first forty public radio stations nationwide to stream its signal over iTunes® Radio. The Community Service Grant received from the CPB is not expected to change in 2015. Management will continue to seek support from local businesses, private foundations and individual donors to help ensure that the Station continues to provide the highest quality of information, entertainment and music programming to its listening audience.

STATEMENT OF NET POSITION

CAMERON UNIVERSITY KCCU-FM

June 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$	-
Accounts receivable		50,000
Funds held for the benefit of the Station		<u>177,045</u>
	TOTAL CURRENT ASSETS	227,045

Capital assets, net of accumulated depreciation		<u>226,048</u>
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TOTAL ASSETS	\$	<u><u>453,093</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	5,945
Accrued compensated absences		<u>17,072</u>
	TOTAL CURRENT LIABILITIES	23,017

NET POSITION

Net investment in capital assets		226,048
Restricted - expendable		177,045
Unrestricted		<u>26,983</u>
	TOTAL NET POSITION	<u>430,076</u>

TOTAL LIABILITIES AND NET POSITION	\$	<u><u>453,093</u></u>
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See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

OPERATING REVENUES

Public broadcasting grants	\$ 141,962
Underwriting	65,994
In-kind underwriting	14,720
Donations	90,349
TOTAL OPERATING REVENUES	<u>313,025</u>

OPERATING EXPENSES

Salaries and benefits	358,982
Memberships	108,036
Travel	7,279
Legal, professional, and technical	13,371
Donated facilities and indirect administrative support	56,149
Telephone	27,301
Postage and freight	2,019
Repairs	12,826
Advertising	8,983
Exhibitions and shows	1,033
Utilities	39,563
Rent	35,050
Licensing fees	72,286
Expendable equipment	9,333
Motor fuels	2,203
Depreciation	63,137
Other expenses	15,553
TOTAL OPERATING EXPENSES	<u>833,104</u>
OPERATING LOSS	(520,079)

NONOPERATING REVENUES

General University appropriations	283,501
Donated facilities and indirect administrative support	41,429
Gain on disposal of assets	37,143
On-behalf payments for OTRS	17,981
TOTAL NONOPERATING REVENUES	<u>380,054</u>

CHANGE IN NET POSITION

CHANGE IN NET POSITION	(140,025)
NET POSITION AT BEGINNING OF YEAR	<u>570,101</u>
NET POSITION AT END OF YEAR	<u>\$ 430,076</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributions, grants underwriting and other receipts	\$ 313,025
Cash paid to employees	(340,184)
Cash paid to suppliers	<u>(413,082)</u>
NET CASH USED IN OPERATING ACTIVITIES	(440,241)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from University appropriations	<u>324,932</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING AND OTHER ACTIVITIES	324,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(17,771)</u>
NET CASH USED IN FINANCING ACTIVITIES	(17,771)
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in funds held for the benefit of the Station	<u>133,080</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	133,080
NET CHANGE IN CASH	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>-</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	(520,079)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	63,137
On-behalf payments for OTRS	17,981
Change in operating assets and liabilities:	
Accounts payable	(2,097)
Accrued compensated absences	<u>817</u>
	<u>\$ (440,241)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: KCCU-FM (the "Station") is a radio station operated by Cameron University (the "University") in Lawton, Oklahoma. The Station is not a separate corporation, but a public telecommunications entity of the University. The Station is accounted for within the funds of the University.

Financial Statement Presentation: The Station's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the Station is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

Basis of Accounting: The accompanying financial statements have been prepared 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.

Cash: The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Capital Assets: The Station follows the practice of capitalizing all major expenditures for land, buildings, equipment, and leasehold improvements. Such assets are recorded at cost, or if acquired by gift, at fair value at date of receipt. Depreciation is provided over the estimated useful lives of the assets based on the straight-line method. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Compensated Absences: Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statement of net position and as an operating expense in the statement of revenues, expenses and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The University is a political subdivision of the state of Oklahoma and is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Station, as a public telecommunications entity of the University, is included in this tax-exempt status. Additionally, the Foundation is classified as a tax-exempt organization under Internal Revenue Code 501(c)(3).

Programming: Licensed program materials from National Public Radio ("NPR") are expensed when purchased.

In-Kind Contributions: Since fiscal year 1995, the Corporation for Public Broadcasting (the "CPB") determined that it would not allow in-kind contributions for programs, compact discs, and volunteer services to be included for grant calculation purposes. Therefore, the CPB and the NPR have not furnished values for these in-kind contributions. These amounts have not been included in the accompanying financial statements; however, the Station considers these in-kind contributions to be an integral part of the operations. The estimated fair value of in-kind contributions, primarily advertising, is recorded as revenue and expensed in the period received.

Classification of Revenues: The Station has classified its revenues as either operating or non-operating revenues in accordance with the guidelines established by GASB No. 34.

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

Net investment in capital assets: This represents the Station's total investment in capital assets, net of accumulated depreciation, and related deferred outflows of resources, reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position - expendable: The restricted expendable net position include resources in which the Station is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources derived from the ongoing operations of the Station. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Station's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Donated Facilities and Indirect Administrative Support: Donated facilities consist of certain premises located in and owned by the University that are occupied by the Station without charge. The allocable portion of the premises is reported as revenue and as expense in the period when the premises are used.

Indirect administrative support includes allocable portions of institutional support, physical plant operations and library costs. The amount of University expenditures attributable to the Station are allocated based upon suggested formats of the CPB. For the year ended June 30, 2014, the allocation methods were as follows:

Institutional Support - These costs are allocated based upon the Station's salaries, wages and benefits to total direct salaries, wages and benefits of the University.

Physical Plant Operations - Physical plant costs are allocated based upon net usable square feet.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the Station that are applicable to a future reporting period. At June 30, 2013, the Station had no deferred outflows of resources.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the Station that are applicable to a future reporting period. At June 30, 2014, the Station had no deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2014: The Station adopted the following new accounting pronouncement during the year ended June 30, 2014:

Fiscal Year Ended June 30, 2014

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*
GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The adoption of GASB No. 70 did not have an impact on the Station's financial position, or changes in financial position or cash flows, or its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the Station in the fiscal year ending June 30, 2015. A description of the new accounting pronouncements and the Station's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities for a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. Although the Station has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This Statement will only impact the Station in the event of a government combination or disposal.

- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

GASB No. 71 was issued in November 2013, and addresses issue in Statement No. 68, Accounting and Financial Reporting for Pension, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities. The requirements of this Statement should be implemented with Statement 68.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE B--CASH AND FUNDS HELD FOR THE BENEFIT OF THE STATION

The University acts as depository for funds received from the CPB and other sources for the benefit of the Station. These grant monies are pooled with other University funds for investment purposes, and are invested with the State Cash Management System. There are no significant differences between cost and fair value of these investments.

The State Treasurer requires that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, place in financial institutions or invested as the State Treasurer may determine, in the state's name.

The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

Funds held for the benefit of the Station are pooled within the net assets of Cameron University Foundation, Inc. (the "Foundation"). The Foundation is a private Foundation organized for the purpose of receiving and administering gifts intended for the benefit of the University. At June 30, 2014, the Foundation maintained cash balances on behalf of the Station totaling \$177,045. At June 30, 2014, net assets of the Foundation of approximately \$23,805,000 consist of cash and investments of approximately \$21,562,000. Investments consist principally of corporate bonds, U.S. Treasury and agency obligations, and mutual funds.

NOTE C--CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Equipment	\$ 862,277	\$ 17,771	\$ (55,212)	\$ 824,836
Less: accumulated depreciation	(578,004)	(63,137)	42,353	(598,788)
Equipment, net	<u>\$ 284,273</u>	<u>\$ (45,366)</u>	<u>\$ (12,859)</u>	<u>\$ 226,048</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE D--RETIREMENT PROGRAMS

The Station's employees are University employees and are covered, through the University, by the Oklahoma Teachers' Retirement System (the "OTRS"), which is a State of Oklahoma public employees' retirement system. The University does not maintain the accounting records, hold the investments for, or administer the OTRS plan.

Oklahoma Teachers' Retirement System

Plan Description: The University contributes to the OTRS, a cost sharing multiple-employer defined-benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age and term of services. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That annual report may be obtained by writing to the OTRS, P. O. Box 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55%, is applied to annual compensation, and is determined by state statute. The contribution rate was 8.55% for 2014, 2013 and 2012.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014, 2013, and 2012. The University contributes the required amounts for participating members.

The University's contributions to OTRS for the Station's employees for the years ended June 30, 2014, 2013 and 2012 were approximately \$44,000, \$48,000 and \$44,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE D--RETIREMENT PROGRAMS--Continued

Funding Policy--Continued: The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2014, the State of Oklahoma contributed 5.0% of State revenues from sales and use taxes and individual taxes, to OTRS on behalf of participating employers. The University has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of the Station's covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2014, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the Station were approximately \$18,000. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statement of revenues, expenses and changes in net position.

NOTE E--FUNCTIONAL EXPENSE CLASSIFICATION

The Station's operating expenses by functional classification were as follows for the year ended June 30, 2014:

Program services:		
Programming and production	\$	416,270
Broadcasting		112,969
Support services:		
Management and general		143,726
Fundraising		160,139
	\$	<u>833,104</u>

NOTE F--GRANTS

The CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. The CPB distributes annual Community Service Grants ("CSGs") to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY KCCU-FM

For the Year Ended June 30, 2014

NOTE F--GRANTS--Continued

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for the acquisition of programming which complies with the grant restrictions. In addition, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain guidelines must be satisfied in connection with application for and use of the CSGs to maintain eligibility and compliance requirements. These guidelines pertain to the use of CSG funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission. Management believes these are routine requirements and do not provide any restrictions on the grants.

For the year ended June 30, 2014, the Station received and expended \$141,962 in grant revenue in relation to CSGs.

NOTE G--RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and/or omission; employee injuries and/or illnesses; natural disasters; and employee health, life, and accident benefits. Through the University, commercial insurance coverage is purchase for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the state of Oklahoma Risk Management Program public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pool for its tort, property, and liability insurance coverage. The Oklahoma Risk Management Program pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource Oklahoma. CALM is a political subdivision of the state of Oklahoma and is governed by a Board of Trustees elected from members of the participating colleges and universities.

The Station participates in the insurance programs described above by virtue of it being a department of the University.

Independent Auditors' Report
on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Regents for the University of Oklahoma,
Cameron University, and Rogers State University
Cameron University KCCU-FM
Norman, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KCCU-FM (the "Station"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 13, 2015