

CAMERON UNIVERSITY KCCU-FM
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**CAMERON UNIVERSITY KCCU-FM
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of KCCU-FM (the Station), a department of Cameron University (the University), which comprises the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years 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.

Auditors' 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2017 and 2016, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the Station is considered a department of the University. The financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Station. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2017 and 2016, the changes in its financial position or its cash flows for the year 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.

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 6 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 October 13, 2017, on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
October 13, 2017

**CAMERON UNIVERSITY KCCU-FM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016**

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, and 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.

In fiscal year 2017, the staff of the Station includes seven full-time employees and no 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, DC, 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), KM CU (Wichita Falls, TX), KK275AE (Lawton, OK), and K261CR (Chickasha, OK).

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 years ended June 30, 2017 and 2016. 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 2017 with fiscal years' 2016 and 2015 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, 2017 and 2016. The statement of revenues, expenses, and changes in net position summarize the Station's financial activity for the years ended June 30, 2017 and 2016. 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 years ended June 30, 2017 and 2016.

**CAMERON UNIVERSITY KCCU-FM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016**

FINANCIAL ANALYSIS OF THE STATION AS A WHOLE (CONTINUED)

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, expenses are recorded when incurred, and assets are capitalized and depreciated.

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 \$86,000 in 2017 from \$171,000 in 2016 and \$273,000 in 2015.

Following is a comparison of the summarized financial position and net position of the Station at June 30, 2017, 2016, and 2015:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------|-------------------|-------------------|-------------------|
| Assets: | | | |
| Current Assets | \$ 35,000 | \$ 64,000 | \$ 129,000 |
| Capital Assets, Net of Depreciation | 87,000 | 139,000 | 173,000 |
| Total Assets | <u>\$ 122,000</u> | <u>\$ 203,000</u> | <u>\$ 302,000</u> |
| Liabilities: | | | |
| Current Liabilities | <u>\$ 36,000</u> | <u>\$ 32,000</u> | <u>\$ 29,000</u> |
| Net Position | <u>\$ 86,000</u> | <u>\$ 171,000</u> | <u>\$ 273,000</u> |

In 2016, the Station had no additions to capital equipment. Depreciation amounted to approximately \$52,000.

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.

**CAMERON UNIVERSITY KCCU-FM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016**

FINANCIAL ANALYSIS OF THE STATION AS A WHOLE (CONTINUED)

The following is a comparison of operating results for the years ended June 30, 2017, 2016, and 2015:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------|------------------|-------------------|-------------------|
| Total Operating Revenues | \$ 316,000 | \$ 329,000 | \$ 308,000 |
| Total Operating Expenses | <u>805,000</u> | <u>869,000</u> | <u>893,000</u> |
| Operating Loss | (489,000) | (540,000) | (585,000) |
| Total Nonoperating Revenue | 404,000 | 438,000 | 428,000 |
| Decrease in Net Position | (85,000) | (102,000) | (157,000) |
| Net Position - Beginning of Year | <u>171,000</u> | <u>273,000</u> | <u>430,000</u> |
| Net Position - End of Year | <u>\$ 86,000</u> | <u>\$ 171,000</u> | <u>\$ 273,000</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 nonoperating 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.

There are no significant changes in revenue for fiscal year 2017 and 2016.

Operating expenses decreased approximately \$64,000 due to discontinuation of several programs due to budget cuts.

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, 2017, 2016, and 2015:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---------------------------------|------------------|------------------|-----------------|
| Cash Provided (Used) by: | | | |
| Operating Activities | \$ (400,000) | \$ (468,000) | \$ (428,000) |
| Noncapital Financing Activities | 337,000 | 418,000 | 358,000 |
| Capital Financing Activities | - | (16,000) | (6,000) |
| Investing Activities | <u>59,000</u> | <u>83,000</u> | <u>83,000</u> |
| Net Change in Cash | (4,000) | 17,000 | 7,000 |
| Cash - Beginning of Year | <u>24,000</u> | <u>7,000</u> | <u>-</u> |
| Cash - End of Year | <u>\$ 20,000</u> | <u>\$ 24,000</u> | <u>\$ 7,000</u> |

**CAMERON UNIVERSITY KCCU-FM
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016**

Economic Outlook

The Station continues to make necessary technological improvements to enhance quality programming. Underwriting revenue decreased in FY17 due to economic hardship of many of the members. The Community Service Grant received from the CPB is not expected to change in FY18. In addition, the station continues to review areas to reduce expenditures due to the uncertain economic outlook for the state of Oklahoma. 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.

**CAMERON UNIVERSITY KCCU-FM
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 20,200 | \$ 24,124 |
| Accounts Receivable | 3,087 | 1,640 |
| Prepaid Expenses | 10,239 | 27,222 |
| Funds Held for the Benefit of the Station | 1,096 | 10,941 |
| Total Current Assets | 34,622 | 63,927 |
| CAPITAL ASSETS , Net of Accumulated Depreciation | 87,493 | 139,535 |
| Total Assets | \$ 122,115 | \$ 203,462 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 8,598 | \$ 4,485 |
| Accrued Expenses | 27,648 | 28,005 |
| Total Current Liabilities | 36,246 | 32,490 |
| NET POSITION | | |
| Net Investment in Capital Assets | 87,493 | 139,535 |
| Unrestricted | (1,624) | 31,437 |
| Total Net Position | 85,869 | 170,972 |
| Total Liabilities and Net Position | \$ 122,115 | \$ 203,462 |

See accompanying Notes to Financial Statements.

**CAMERON UNIVERSITY KCCU-FM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|------------|------------|
| OPERATING REVENUES | | |
| Public Broadcasting Grants | \$ 138,148 | \$ 133,609 |
| Underwriting | 65,672 | 78,261 |
| In-Kind Underwriting | 17,415 | 10,694 |
| Donations | 95,032 | 106,270 |
| Total Operating Revenues | 316,267 | 328,834 |
| OPERATING EXPENSES | | |
| Salaries and Benefits | 405,126 | 429,329 |
| Memberships | 72,084 | 108,701 |
| Travel | 354 | 2,255 |
| Legal, Professional, and Technical | 8,522 | 10,526 |
| Donated Facilities and Indirect Administrative Support | 59,299 | 55,673 |
| Telephone | 27,711 | 29,265 |
| Postage and Freight | 1,254 | 1,770 |
| Repairs | 10,146 | 3,855 |
| Advertising | 3,387 | 5,230 |
| Exhibitions and Shows | 924 | 780 |
| Utilities | 41,714 | 43,614 |
| Rent | 26,188 | 18,539 |
| Licensing Fees | 76,060 | 83,276 |
| Expendable Equipment | 6,103 | 7,548 |
| Motor Fuels | 713 | 1,052 |
| Depreciation | 52,041 | 49,748 |
| Other Expenses | 13,850 | 17,932 |
| Total Operating Expenses | 805,476 | 869,093 |
| OPERATING LOSS | (489,209) | (540,259) |
| NONOPERATING REVENUES | | |
| General University Appropriations | 337,500 | 372,690 |
| Donated Facilities and Indirect Administrative Support | 48,934 | 44,978 |
| Gain on Disposal of Assets | - | - |
| On-Behalf Payments for OTRS | 17,672 | 20,357 |
| Total Nonoperating Revenues | 404,106 | 438,025 |
| CHANGE IN NET POSITION | (85,103) | (102,234) |
| Net Position - Beginning of Year | 170,972 | 273,206 |
| NET POSITION - END OF YEAR | \$ 85,869 | \$ 170,972 |

See accompanying Notes to Financial Statements.

**CAMERON UNIVERSITY KCCU-FM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Contributions, Grants Underwriting, and Other Receipts | \$ 311,664 | \$ 328,067 |
| Cash Paid to Employees | (384,654) | (407,739) |
| Cash Paid to Suppliers | (327,214) | (388,005) |
| Net Cash Used by Operating Activities | (400,204) | (467,677) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Cash Received from University Appropriations | 337,500 | 417,668 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | - | (16,054) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in Funds Held for the Benefit of the Station | 58,780 | 83,398 |
| NET CHANGE IN CASH | (3,924) | 17,335 |
| Cash - Beginning of Year | 24,124 | 6,789 |
| CASH - END OF YEAR | \$ 20,200 | \$ 24,124 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (489,209) | \$ (540,259) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation | 52,042 | 49,748 |
| On-Behalf Contributions from OTRS Facilities and Administrative Support | 17,672 | 20,357 |
| Change in Operating Assets and Liabilities: | | |
| Accounts Receivable | (1,447) | (1,640) |
| Prepaid Expenses | 16,982 | 379 |
| Deferred Revenue | (3,157) | - |
| Accounts Payable | 4,113 | 2,505 |
| Accrued Expenses | 2,800 | 1,233 |
| Net Cash Used by Operating Activities | (400,204) | (467,677) |

See accompanying Notes to Financial Statements.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 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 and a department 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*. 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 and Cash Equivalents

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 University's capitalization and depreciation policies. Capital assets are recorded at cost at the date of acquisition, or fair value on the date of donation if acquired by gift. For equipment, the capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is provided over the estimated useful lives of the assets on the straight-line methods, generally seven years. 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.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees' compensated absences are accrued when earned and amount to \$23,690 and \$19,515 at June 30, 2017 and 2016, respectively. The obligation and expenditure incurred during the year are recorded as accrued expenses in the statements of net position and as an operating expense in the statements of revenues, expenses, and changes in net position.

Unearned Revenue

Unearned revenue at June 30, 2017 and 2016 consists of \$3,958 and \$7,115, respectively, in underwriting revenues related to amounts received by the Station but have not been earned. These amounts are included in accrued expenses in the statements of net position and as an operating expense in the statements of revenues, expenses, and changes in net position.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant. As a department of the University, the Station is also exempt from income taxes.

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 used.

Operating Revenue and Expense

The Station distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Station's principal ongoing operations. The principal operating revenues of the Station are grants for public broadcasting entities, including grants to enhance the quality of programming and expand the scope of public broadcasting services, as well as revenues received from underwriting and memberships and contributions from donors.

Operating expenses include cost of services, payments to suppliers and employees, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grant funds are reported as revenue when eligibility requirements have been met. Grant funds that have been received but have not met eligibility requirements are reported as unearned revenue. Revenue from underwriting and memberships is reported as revenue when received. Contributions are from fundraising from special events and are reported as operating revenue when received.

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 includes 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.

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 years ended June 30, 2017 and 2016, 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.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the Station that is applicable to a future reporting period. At June 30, 2017 and 2016, the Station had no deferred outflows of resources.

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the Station that is applicable to a future reporting period. At June 30, 2017 and 2016, the Station had no deferred inflows of resources.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation with no effect on net position or change in net position.

NOTE 2 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.

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, placed 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, 2017 and 2016, the Foundation maintained cash balances on behalf of the Station totaling \$1,096 and \$10,941, respectively.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2017 and 2016 are as follows:

| | Balance - June 30, 2016 | Additions | Retirements | Balance - June 30, 2017 |
|--------------------------------|----------------------------|--------------------|-------------|----------------------------|
| Equipment | \$ 847,318 | \$ - | \$ - | \$ 847,318 |
| Less: Accumulated Depreciation | (707,783) | (52,042) | - | (759,825) |
| Equipment, Net | <u>\$ 139,535</u> | <u>\$ (52,042)</u> | <u>\$ -</u> | <u>\$ 87,493</u> |

| | Balance - June 30, 2015 | Additions | Retirements | Balance - June 30, 2016 |
|--------------------------------|----------------------------|--------------------|-------------|----------------------------|
| Equipment | \$ 831,264 | \$ 16,054 | \$ - | \$ 847,318 |
| Less: Accumulated Depreciation | (658,035) | (49,748) | - | (707,783) |
| Equipment, Net | <u>\$ 173,229</u> | <u>\$ (33,694)</u> | <u>\$ -</u> | <u>\$ 139,535</u> |

NOTE 4 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.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 RETIREMENT PROGRAMS (CONTINUED)

Oklahoma Teachers' Retirement System (Continued)

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 2017, 2016, and 2015.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2017, 2016, and 2015. 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, 2017, 2016, and 2015 was \$54,000, 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.

The state of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2017 and 2016, the state of Oklahoma contributed 5% 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 years ended June 30, 2017 and 2016, the total amounts contributed to the OTRS by the state of Oklahoma on behalf of the Station were approximately \$17,700 and \$20,400, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net position.

During fiscal year June 30, 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68*. The University recognized a net pension liability, deferred inflows, and deferred outflows of \$45,773,000, \$4,401,000, and \$13,051,000, respectively, for fiscal year 2017, and \$31,957,000, \$4,707,000, and \$5,875,000, respectively, for fiscal year 2016. The University has elected to not allocate the accrued net pension liability and deferred amounts to the University departments as they represent amounts accrued during prior fiscal years. Only the expenses associated with contributions made during the year by the department and the state on behalf of the University are recognized as expense.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 FUNCTIONAL EXPENSE CLASSIFICATION

The Station's operating expenses by functional classification were as follows for the years ended June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------|-------------------|
| Program Services: | | |
| Programming and Production | \$ 465,114 | \$ 515,969 |
| Broadcasting | 105,883 | 92,485 |
| Support Services: | | |
| Management and General | 145,254 | 100,893 |
| Fundraising | <u>89,225</u> | <u>159,746</u> |
| Total | <u>\$ 805,476</u> | <u>\$ 869,093</u> |

NOTE 6 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.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for the acquisition of programming. 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 meet 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 years ended June 30, 2017 and 2016, the Station received and expended \$138,148 and \$133,609, respectively, in grant revenue in relation to CSGs.

**CAMERON UNIVERSITY KCCU-FM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 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 omission; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased 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 worker's compensation, tort, property, and liability insurance coverage. The Oklahoma Risk Management 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 Station participates in the insurance programs described above by virtue of it being a department of the University. The University does not separately allocate any of these liabilities to the Station. Accordingly, no portion of these liabilities is reflected in the Station's financial statements.



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

Board of Regents for the University of Oklahoma,
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of KCCU-FM (the Station), a department of Cameron University (the University), which comprise the statement of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017. Our report includes an emphasis of matter paragraph stating that the Station is a department of the University and these financial statements reflect only the assets, liabilities, and revenues and expenses of the Station and not the University as a whole.

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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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.

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

CliftonLarsonAllen LLP

St. Louis, Missouri
October 13, 2017