

ANNUAL FINANCIAL REPORT  
OF  
KETR-FM RADIO STATION

*FOR*

*FISCAL YEARS ENDED*

*AUGUST 31, 2015 AND 2014*

**KETR-FM RADIO STATION  
ANNUAL FINANCIAL REPORT  
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

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## FINANCIAL SECTION



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## **Independent Auditor's Report**

Board of Trustees  
Texas A&M University - Commerce  
Commerce, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of KETR-FM Radio Station ("Station") as of and for the years ended August 31, 2015 and 2014, and the accompanying 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of KETR–FM Radio Station as of August 31, 2015 and 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity 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 on pages 4 through 8 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 the basic financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Information*

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016, on our consideration of KETR-FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,  
**CONWAY COMPANY CPAs, P.C.**

*Conway Company CPAs, P.C.*

Greenville, TX  
January 28, 2016

**KETR-FM RADIO STATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

KETR-FM Radio is a 100,000 watt public telecommunications entity operated by Texas A&M University-Commerce. As management of KETR-FM Radio Station ("Station"), we offer the readers of the financial statements this narrative overview and analysis of the financial activities of KETR-FM Radio for the fiscal years ended August 31, 2015 and 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Station's financial statements, which follow this narrative.

**Financial Highlights**

- The assets of KETR-FM Radio Station exceeded its liabilities as of August 31, 2015 and 2014 by \$388,903 and \$435,562 (net position), respectively.
- The Station's total net position decreased by (\$46,659) during the current fiscal year.
- Approximately 54% of net position, or \$211,206, is available for spending at the Radio Station's discretion
- The Station had no long-term debt during the current fiscal year, nor at August 31, 2014.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the KETR-FM Radio Station's basic financial statements. The Station's basic financial statements consist of two components: 1) fund financial statements and 2) notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of KETR-FM Radio.

**KETR-FM RADIO STATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
AUGUST 31, 2015 AND 2014**

The Station operates as a proprietary fund type and presents its financial statements using the economic resources measurement focus and the full accrual basis of accounting. As a proprietary fund, the Station's basic financial statements include:

- Proprietary Fund Type - Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund Type
- Statement of Cash Flows
- Notes to the Basic Financial Statements

The Statement of Net Position includes all of the Station's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

### **Overview of the Financial Statements**

**Financial statements** – the financial statements are designed to provide readers with an overview of the Station's finances, in a manner similar to a typical private-sector business.

The *Statement of Net Position* presents information on all of the Station's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories: (1) net investment in capital assets, (2) restricted and (3) unrestricted. Over time, increases or decreases in net position can serve as a useful indicator of the long-term trend of the Station's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* shows activity and changes during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported for some items that will not affect cash flow until future fiscal periods (e.g. earned, but unused, vacation leave and accounts receivable for services).

The *Statement of Cash Flows* presents information showing the Station's cash activities, cash receipts and cash disbursements. The Statement of Cash Flows is presented in three broad categories: (1) cash flows from operating activities, (2) cash flows from non-capital and related financing activities, and (3) cash flows from capital and related financing activities. The Statement of Cash Flows is a useful tool in understanding the Station's cash position and the reasons behind that position.

**Notes to Financial Statements** - The accompanying notes to the financial statements provide information essential to a complete understanding of the data provided in the basic fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**Supplemental information** – Also included is a Budgetary Comparison Schedule to enhance the reader's understanding of Station operations.

**KETR-FM RADIO STATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
AUGUST 31, 2015 AND 2014**

**KETR-FM Radio Station's Net Position**

	<b>Business-Type Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 399,421	\$ 450,571
Capital assets	14,097	8,828
Total assets	<u>413,518</u>	<u>459,399</u>
Current liabilities	24,615	23,837
Total liabilities	<u>24,615</u>	<u>23,837</u>
Net position:		
Net investment in capital assets	14,097	8,828
Restricted	163,600	229,263
Unrestricted	211,206	197,471
Total net position	<u>\$ 388,903</u>	<u>\$ 435,562</u>

Net position may serve over time as one useful indicator of the Station's financial condition. The assets of KETR-FM Radio Station exceeded liabilities by \$388,903 and \$435,562 as of August 31, 2015 and 2014, respectively. The Station's net position decreased by (\$46,659), for the fiscal year ended August 31, 2015 and increased in fiscal year 2014 by \$27,348. The Station's net investment in capital assets represents 4%, or \$14,097, of this balance and includes transmission equipment, tower, broadcasting equipment and furniture and fixtures (most of which are fully depreciated). KETR uses these capital assets to provide services to listeners; consequently, these assets are not available for future spending. Although the Station's investment in capital assets are not encumbered by indebtedness, they are not available to satisfy any outstanding liabilities. An additional portion of the Station's net position, 42% or, \$163,600 represents resources that are subject to external restrictions on how they can be used. The remaining balance of \$211,206, or 54%, represents resources that may be designated for special purposes, but are unrestricted.

The Station received \$137,974 and \$204,530 in grant funding from the Corporation for Public Broadcasting for the years ended August 31, 2015 and 2014. The restricted fund balances at August 31, 2015 and 2014 represents the funds remaining and unspent from all CPB grants. The radio station's private donations increased during fiscal year 2015, while corporate underwriting declined, resulting in a combined 21% increase in outside support. University direct support decreased approximately \$1,704 and \$43,850 as of August 31, 2015 and 2014.



**KETR-FM RADIO STATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
AUGUST 31, 2015 AND 2014**

**KETR-FM Radio's Changes in Net Position**

	<b>Business Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating Revenues:</b>		
Grants from Corporation for Public Broadcasting	\$ 137,974	\$ 204,530
Underwriting	10,681	11,070
Underwriting - Trade	3,218	5,125
Total Revenues	<u>151,873</u>	<u>220,725</u>
<b>Operating Expenses:</b>		
Program Expenses:		
Programming and Production	123,056	159,536
Broadcasting	152,811	144,481
Program Information	72,023	48,482
Depreciation	7,654	8,473
Support Services:		
Management and General	228,646	214,054
Fundraising	82,943	67,457
Underwriting	25,607	17,977
Total Expenses	<u>692,740</u>	<u>660,460</u>
Operating Income (Loss)	<u>(540,867)</u>	<u>(439,735)</u>
<b>Non-Operating Revenues:</b>		
University Appropriations	318,908	320,612
University Indirect Support	98,614	88,154
Private Contributions	74,357	55,988
University Occupancy Support	2,329	2,329
Total Non-Operating Revenues	<u>494,208</u>	<u>467,083</u>
Change in Net Position	(46,659)	27,348
Net Position - September 1	435,562	408,214
Net Position - August 31	<u>\$ 388,903</u>	<u>\$ 435,562</u>

The Station as a whole is primarily reliant on university appropriations, corporate and private underwriting, and grant funding from the Corporation for Public Broadcasting.

**Fund Financial Analysis** - Proprietary fund statements are prepared using the accrual basis of accounting.

**KETR-FM RADIO STATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
AUGUST 31, 2015 AND 2014**

**Capital Assets**

At the end of fiscal year 2015 and 2014, the Station had \$14,097 and \$8,828 invested in a broad range of capital assets, including its transmitter, tower and antennae, broadcasting equipment and furniture and fixtures. During the fiscal year 2015, the Station's net investment in capital assets increased 60%. This increase represents the purchase of a Flexstar Hde-200 Exporter.

**KETR-FM Radio  
Capital Assets  
As of August 31, 2015 and 2014  
(Net of Accumulated Depreciation)**

	Business-Type	
	2015	2014
Studio and Broadcast Equipment	\$ 82,568	\$ 82,568
Furniture and Fixtures	20,485	20,485
Infrastructure	152,174	139,249
Accumulated Depreciation	(241,130)	(233,474)
<b>Total</b>	<b>\$ 14,097</b>	<b>\$ 8,828</b>

More detailed information about the Station's capital assets is presented in Note E to the financial statements.

**Long-term Debt**

The Station currently has no long-term debt.

**Economic Factors and Next Year's Budget**

The proposed budget for FY 2015 includes anticipated revenues and appropriations totaling \$637,000 and total anticipated expenses of \$637,000.

**Requests for Information**

This financial report is designed to provide a general overview of the Station's finances and to demonstrate commitment to public accountability. Additional details can be requested by mail at the following address:

KETR-FM Radio Station  
Texas A&M University-Commerce  
PO Box 3011  
Commerce, TX 75429

## BASIC FINANCIAL STATEMENTS

**KETR-FM RADIO STATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Investments		
Unrestricted	\$ 235,821	\$ 221,308
Restricted	163,600	229,263
Total Current Assets	<u>399,421</u>	<u>450,571</u>
Capital Assets:		
Equipment	82,568	82,568
Furniture & Fixtures	20,485	20,485
Infrastructure	152,174	139,249
Less: Accumulated Depreciation	<u>(241,130)</u>	<u>(233,474)</u>
Total Capital Assets, Net	<u>14,097</u>	<u>8,828</u>
<b>Total Assets</b>	<u>413,518</u>	<u>459,399</u>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	24,615	23,837
Total Current Liabilities	<u>24,615</u>	<u>23,837</u>
<b>Total Liabilities</b>	<u>24,615</u>	<u>23,837</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	14,097	8,828
Restricted for:		
Grant	163,600	229,263
Unrestricted	<u>211,206</u>	<u>197,471</u>
<b>Total Net Position</b>	<u>\$ 388,903</u>	<u>\$ 435,562</u>

The notes to the financial statements are an integral part of these financial statements

**KETR-FM RADIO STATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES:</b>		
Grants from Corporation for Public Broadcasting	\$ 137,974	\$ 204,530
Underwriting	10,681	11,070
Underwriting - Trade	3,218	5,125
<b>Total Operating Revenues</b>	<u>151,873</u>	<u>220,725</u>
<b>OPERATING EXPENSES:</b>		
Program Expenses:		
Programming and Production	123,056	159,536
Broadcasting	152,811	144,481
Program Information	72,023	48,482
Depreciation	7,654	8,473
Support Services:		
Management and General	228,646	214,054
Fundraising	82,943	67,457
Underwriting	25,607	17,977
<b>Total Operating Expenses</b>	<u>692,740</u>	<u>660,460</u>
<b>Operating Income (Loss)</b>	<u>(540,867)</u>	<u>(439,735)</u>
<b>NON-OPERATING REVENUES:</b>		
University Appropriations	318,908	320,612
University Indirect Support	98,614	88,154
Private Contributions	74,357	55,988
University Occupancy Support	2,329	2,329
<b>Total Non-Operating Revenues</b>	<u>494,208</u>	<u>467,083</u>
<b>Change in Net Position</b>	(46,659)	27,348
<b>Net Position, September 1</b>	435,562	408,214
<b>Net Position, August 31</b>	<u>\$ 388,903</u>	<u>\$ 435,562</u>

The notes to the financial statements are an integral part of these financial statements

**KETR-FM RADIO STATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash Received from Grants and Underwriting	\$ 148,655	\$ 215,600
Cash Paid to Employees	(279,231)	(284,464)
Cash Paid to Suppliers	(300,914)	(248,653)
Net Cash Provided (Used) by Operating Activities	<u>(431,490)</u>	<u>(317,517)</u>
Cash Flows from Non-capital Financing Activities		
University Appropriations	318,908	320,612
Cash Received as Gifts	74,357	55,988
Net Cash Provided by Non-capital Financing Activities	<u>393,265</u>	<u>376,600</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(12,925)	-
Net Cash Used for Capital & Related Financing Activities	<u>(12,925)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(51,150)	59,083
Cash and Cash Equivalents at Beginning of Year	450,571	391,488
Cash and Cash Equivalents at End of Year	<u>\$ 399,421</u>	<u>\$ 450,571</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (540,867)	\$ (439,735)
Adjustment to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Depreciation	7,654	8,473
University Support	100,943	90,484
Change in Assets and Liabilities:		
Decrease (Increase) in Prepaid Expenses	-	16,925
Increase (Decrease) in Accounts Payable	780	6,336
Total Adjustments	<u>109,377</u>	<u>122,218</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (431,490)</u>	<u>\$ (317,517)</u>
<b>Supplemental Cash Flow Information:</b>		
Non-cash contributions received: In-kind	<u>\$ 100,943</u>	<u>\$ 90,483</u>
Trade revenues	<u>\$ 3,218</u>	<u>\$ 5,125</u>

The notes to the financial statements are an integral part of these financial statements

**KETR-FM RADIO STATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

KETR-FM Radio Station ("Station") began broadcasting on the air April 7, 1975. It began as a teaching-laboratory for students at East Texas State University. In the early 1980s, FCC approved KETR to raise the tower height and to increase power from 7,500 watts to 100,000 watts. This increased the station's broadcast range from 20 miles to 75 miles. The Station has rejoined the National Public Radio programming and has moved in the direction of online and digital programming with KETR.org and a new digital transmitter that offers the opportunity to begin HD broadcasts in the future. The Station is committed to providing the northeast Texas citizens and the Texas A&M University-Commerce community with entertaining, educational, and informative programming along with serving as a learning environment for university students to pursue excellences in broadcasting.

The financial statements of the Station have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Generally accepted accounting principles include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments - Audit and Accounting Guide*. The more significant accounting policies of the Station are described below.

1. Reporting Entity

The Station is a financial reporting entity as defined by GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". Under GASB Statement No. 14, component units are organizations for which the Station is financially accountable and all other organizations for which the nature and significance of their relationship with the Station are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of August 31, 2015, the Station does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation, Basis of Accounting

The accounts of the Station are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, net position, revenues, and expenses. The fund type utilized by the Station is described below:

The *Proprietary Fund* is used to account for the operations of KETR-FM Radio Station as it provides broadcast programming to those in its listening area and internet radio streaming services.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the costs of production, programming, broadcasting, fundraising, administration, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. When both restricted and unrestricted funds are available for use, it is the Station's policy to use its restricted resources first, then unrestricted resources as they are needed.

**KETR-FM RADIO STATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2. Basis of Presentation, Basis of Accounting (continued)

Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all the eligibility requirements are met. Proprietary Fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board; these principles have been codified in GASB Statement No. 62.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Station's only operating activity is the broadcast of public radio programming to its listeners within an area limited by its broadcast signal strength. It also streams its on-air programming via its internet website. The statements, exhibits and supplemental schedule were prepared on the accrual basis of accounting except for the statement of cash flows, which is a cash basis statement.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Budget

The Station's budget represents revenues, expenses, and transfers as approved by the University's Administration. The budget is prepared using the accrual basis of accounting.

c. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

d. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. University policy is to capitalize all assets with an original cost greater than \$5,000.



**KETR-FM RADIO STATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 3. Financial Statement Amounts
  - e. Capital Assets (continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	7-10
Station and Broadcast Equipment	5-7
Furniture and Fixtures	5-7

- f. Receivable and Payable Balances

The Station believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

There are no outstanding receivables as of year end.

- g. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets includes capital assets, less accumulated depreciation, less any outstanding debt used for the acquisition, construction or improvement of any asset, plus any unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Station or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position for the proprietary fund represents the net position available for future operations or distributions.

- h. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

- i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

- j. Program Revenues

Program revenues include grant funding and direct corporate underwriting.

- k. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

- l. Indirect Costs

The costs of providing services have been summarized on a functional basis in the fund financial statements. Certain indirect costs have been allocated among the benefitting programs and supporting services based upon total direct operating expenses or occupied building square footage.

**KETR-FM RADIO STATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

3. Financial Statement Amounts (continued)

m. Pledges and Contributions

The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to KETR-FM for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including pledges and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. Based on KETR-FM's judgment, including such factors as prior collections, no allowance for uncollectible contributions receivable is provided. All member pledges receivable are promises to give within one year of August 31, 2015. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of KETR-FM. This usage is consistent with appeals for contributions and pledges.

n. In Kind Contributions

The estimated fair market value of contributed professional services is recorded as both revenue and expense in the period the services are rendered.

The University donates office and studio space together with related occupancy costs as well as administrative support consisting of financial and general administrative department costs. The in-kind donations are recorded both as a revenue and expense in the period in which they are utilized and are recorded at their estimated cost.

**B. COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund net position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

**C. DEPOSITS AND INVESTMENTS**

As a department of TAMU-Commerce the Station does not maintain separate bank accounts, rather, all cash is a part of the TAMU-Commerce pooled cash system. As a part of the State of Texas Colleges and Universities Enterprise Fund, TAMU-Commerce is required to secure deposits through collateral pledged by depository banks and savings and loan institutions for all balances in excess of the amounts insured by the Federal Deposit Insurance Corporation. The Station's pooled bank balance as of August 31, 2015 and 2014 was \$399,421 and \$450,571, respectively. Of this amount, \$163,600 and \$229,263 represent restricted funds attributable to grant monies available for use as of August 31, 2015 and 2014.

**KETR-FM RADIO STATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**C. DEPOSITS AND INVESTMENTS (continued)**

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. All of the Station's cash deposits were either fully insured with FDIC insurance or pledged securities at year end.

*Custodial Credit Risk - Deposits*

To control custody and safekeeping risk, the Station (through TAMU - Commerce) collateralizes its bank deposits in accordance with the State of Texas policies. These policies require the monies be held in depository banks and savings and loans, with pledged securities covering all amounts in excess of FDIC insurance limits.

*Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Station was not exposed to foreign currency risk.

**D. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments as of August 31, 2015 are as follows:

	Carrying Amount	Fair Value
Cash and Short-term Investments	\$ 399,421	\$ 399,421
Accounts Payable	\$ 24,615	\$ 24,615

The fair value of financial instruments as of August 31, 2014 are as follows:

	Carrying Amount	Fair Value
Cash and Short-term Investments	\$ 450,571	\$ 450,571
Accounts Payable	\$ 23,837	\$ 23,837

**KETR-FM RADIO STATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**E. CAPITAL ASSETS**

Capital asset activity for the period ended August 31, 2015 was as follows:

<b>Business-type Activities</b>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Studio & Broadcast Equipment	\$ 82,568	\$ -	\$ -	\$ 82,568
Furniture & Fixtures	20,485	-	-	20,485
Infrastructure	139,249	12,925	-	152,174
Total assets being depreciated:	<u>242,302</u>	<u>12,925</u>	<u>-</u>	<u>255,227</u>
Accumulated depreciation:				
Studio & Broadcast Equipment	(82,569)	-	-	(82,569)
Furniture & Fixtures	(20,485)	-	-	(20,485)
Infrastructure	(130,420)	(7,656)	-	(138,076)
Total accumulated depreciation:	<u>(233,474)</u>	<u>(7,656)</u>	<u>-</u>	<u>(241,130)</u>
Total capital assets being depreciated, net	<u>8,828</u>	<u>5,269</u>	<u>-</u>	<u>14,097</u>
Business-type activities capital assets, net	<u>\$ 8,828</u>	<u>\$ 5,269</u>	<u>\$ -</u>	<u>\$ 14,097</u>

Capital asset activity for the period ended August 31, 2014 was as follows:

<b>Business-type Activities</b>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, being depreciated:				
Studio & Broadcast Equipment	\$ 83,475	\$ -	\$ (907)	\$ 82,568
Furniture & Fixtures	20,485	-	-	20,485
Infrastructure	186,089	-	(46,840)	139,249
Total assets being depreciated:	<u>290,049</u>	<u>-</u>	<u>(47,747)</u>	<u>242,302</u>
Accumulated depreciation:				
Studio & Broadcast Equipment	(83,476)	-	907	(82,569)
Furniture & Fixtures	(20,485)	-	-	(20,485)
Infrastructure	(168,787)	(8,473)	46,840	(130,420)
Total accumulated depreciation:	<u>(272,748)</u>	<u>(8,473)</u>	<u>47,747</u>	<u>(233,474)</u>
Total capital assets being depreciated, net	<u>17,301</u>	<u>(8,473)</u>	<u>-</u>	<u>8,828</u>
Business-type activities capital assets, net	<u>\$ 17,301</u>	<u>\$ (8,473)</u>	<u>\$ -</u>	<u>\$ 8,828</u>

All depreciation relates to Broadcasting, Production and Programming, which are within the Program function.

**KETR-FM RADIO STATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015 AND 2014**

**F. GRANT FROM THE CORPORATION FOR PUBLIC BROADCASTING**

The Station had grant income from the Corporation for Public Broadcasting ("CPB") in the amount of \$137,974 and \$204,530 as of August 31, 2015 and 2014, respectively. Eligibility for the Community Service Grant from CPB is allowed on a continuing basis, but is evaluated periodically for applicability. In the past, the Station has been on probation for not meeting certain levels of listeners/ activities, resulting in a reduction in grant awards, and there is no assurance that awards or that reductions will not be encountered in future years. During fiscal year 2015, the Station has utilized its grant funding in accordance to the terms and conditions set forth.

**G. CONTINGENT LIABILITIES**

The Station participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Station has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Station, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**H. FEDERAL INCOME TAX**

KETR-FM Radio Station is a local government entity and as such is exempt from the payment of Federal Income Taxes under provisions of the Internal Revenue Code.

**I. LITIGATION, CLAIMS & JUDGMENTS**

Station management is unaware of any pending claims and assessments as of August 31, 2015 or the fiscal year then ended.

**J. SUBSEQUENT EVENTS**

The Station has evaluated all events or transactions that occurred after August 31, 2015 up through January 28, 2016, the date the financial statements were available to be issued. During this period, management did not take note of any events requiring disclosure.

## SUPPLEMENTARY INFORMATION

**KETR-FM RADIO STATION**  
A Public Telecommunications Entity Operated by  
Texas A&M University-Commerce  
Budgetary Comparison Schedule  
For the year ended August 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Grants from Corporation for Public Broadcasting	\$ 150,000	\$ 150,000	\$ 137,974	\$ (12,026)
University appropriations	330,000	330,000	318,908	(11,092)
Underwriting	12,000	12,000	10,681	(1,319)
Underwriting - Trades	5,000	5,000	3,218	(1,782)
Private contributions	50,000	50,000	74,357	24,357
In-kind contributions:				
Donated facilities & administrative University Support	90,000	90,000	100,943	10,943
Total Revenues	<u>637,000</u>	<u>637,000</u>	<u>646,081</u>	<u>9,081</u>
<b>EXPENDITURES</b>				
Program services:				
Programming and production	125,000	125,000	123,056	1,944
Broadcasting	145,000	145,000	152,811	(7,811)
Program information	50,000	50,000	72,023	(22,023)
Depreciation	10,000	10,000	7,654	2,346
Total program services	<u>330,000</u>	<u>330,000</u>	<u>355,544</u>	<u>(25,544)</u>
Supporting services:				
Management and general	220,000	220,000	228,646	(8,646)
Fundraising	67,000	67,000	82,943	(15,943)
Underwriting	20,000	20,000	25,607	(5,607)
Total supporting services	<u>307,000</u>	<u>307,000</u>	<u>337,196</u>	<u>(30,196)</u>
Total expenditures	<u>637,000</u>	<u>637,000</u>	<u>692,740</u>	<u>(55,740)</u>
Change in Net Position	-	-	(46,659)	(46,659)
Net Position, September 1	435,562	435,562	435,562	
Net Position, August 31	<u>\$ 435,562</u>	<u>\$ 435,562</u>	<u>\$ 388,903</u>	