KOSU-FM Radio Station
A Public Broadcasting Entity Operated by Oklahoma State University

Independent Auditor's Report and Financial Statements

June 30, 2017 and 2016

BKD
CPAs & Advisors

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
June 30, 2017 and 2016

Contents

BKD
CPAs & Advisors

910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

Independent Auditor's Report

Board of Regents for the
Oklahoma Agricultural & Mechanical Colleges
Oklahoma State University – KOSU-FM Radio Station
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying basic financial statements of KOSU-FM Radio Station (KOSU), a Public Broadcasting Entity operated by Oklahoma State University, which are comprised of the statement of net position, as of June 30, 2017, 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 basic 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KOSU-FM Radio Station, a Public Broadcasting Entity operated by Oklahoma State University, as of June 30, 2017, and the changes in financial position and its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited by Other Auditors

The 2016 financial statements were audited by other auditors and their report thereon, dated November 28, 2016, expressed an unmodified opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 November 28, 2017, on our consideration of KOSU's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KOSU's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
November 28, 2017

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016

Overview of Financial Statements and Financial Analysis

KOSU-FM Radio Station (KOSU), a Public Broadcasting Entity owned and operated by Oklahoma State University (the "University"), presents its financial statements for fiscal year 2017 with comparative data presented for fiscal year 2016. There are three financial statements presented: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. This discussion and analysis of KOSU's financial statements provides an overview of its financial activities for the year.

Statements of Net Position

The Statements of Net Position present the assets, liabilities and deferred inflows of resources and deferred outflows of resources as of the end of the fiscal year. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of KOSU.

From the data presented, readers of the Statements of Net Position are able to determine the resources available to continue the operations of KOSU. They are also able to determine how much KOSU owes vendors. Finally, the Statements of Net Position provide the amount invested in capital assets and the status of resources at the end of the fiscal year.

Net position is divided into three categories. The first category, net investment in capital assets, provides KOSU's equity in property, plant and equipment owned by the University. The next category, restricted, is divided into two categories, nonexpendable and expendable. The nonexpendable restricted resources are only available for investment purposes. Expendable restricted are available for expenditure by KOSU but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted. Unrestricted resources are available to KOSU for any lawful purpose of the station. The following chart is a summary of the Statements of Net Position over the last three fiscal periods.

	2017	2016	2015
Assets			
Current assets	$ 200,529	$ 345,757	$ 667,083
Capital assets, net of accumulated depreciation	1,994,440	2,220,129	2,404,088
Other assets	107,826	99,733	108,658
Total assets	2,302,795	2,665,619	3,179,829
Deferred Outflows of Resources	327,663	74,171	28,210
Liabilities			
Current liabilities	271,876	263,948	327,145
Noncurrent liabilities	895,662	576,471	488,846
Total liabilities	1,167,538	840,419	815,991
Deferred Inflows of Resources	38,410	114,215	96,622
Net Position			
Net investment in capital assets	1,994,440	2,220,129	2,404,088
Restricted - nonexpendable	107,826	99,733	108,658
Restricted - expendable	39,744	69,605	196,019
Unrestricted	(717,500)	(604,311)	(413,339)
Total net position	$ 1,424,510	$ 1,785,156	$ 2,295,426

In fiscal year 2017, total assets decreased by $362,824 or 13.61% over fiscal year 2016. The decrease is due to a decrease in accounts receivable of $8,052, a decrease in beneficial interest in assets held by the OSU Foundation of $129,949 and a decrease in capital assets net of accumulated depreciation of $225,689. These are offset by an increase in prepaid expenses of $866.

In fiscal year 2016, total assets decreased by $514,210 or 16.17% over fiscal year 2015. The decrease is due to a decrease in cash and cash equivalents of $202,047, a decrease in beneficial interest in assets held by the OSU Foundation of $132,615 and a decrease in capital assets net of accumulated depreciation of $183,959. These are offset by an increase in accounts receivable of $2,997 and an increase in prepaid expenses of $1,414.

In fiscal year 2017, deferred outflows of resources increased by $253,492 over fiscal year 2016. This was due to an increase to deferred costs on pension programs. In fiscal year 2016, deferred outflows of resources increased by $45,961 over fiscal year 2015. This was due to an increase to deferred costs on pension programs.

In fiscal year 2017, total liabilities increased by $327,119 or 38.92% over fiscal year 2016. The increase was due to an increase in bank overdraft of $16,013, an increase in accounts payable of $52,298, an increase in accrued expenses of $5,037, an increase in accrued compensated absences of $1,863 and an increase in pension liability of $319,191. This was offset by a decrease in unearned revenue of $67,283.

In fiscal year 2016, total liabilities increased by $24,428 or 2.99% over fiscal year 2015. The increase was due to an increase in bank overdraft of $69,111, an increase in accrued compensated absences of $7,027 and an increase in pension liability of $87,625. This was offset by a decrease in unearned revenue of $118,714, a decrease in accounts payable of $16,179 and a decrease in accrued expenses of $4,442.

In fiscal year 2017, deferred inflows of resources decreased by $75,805 from fiscal year 2016 due to a decrease to deferred inflows on pension programs. In fiscal year 2016, deferred inflows of resources increased by $17,593 over fiscal year 2015 due to an increase to deferred inflows on pension programs.

In fiscal year 2017, the combination of the decrease in total assets plus the increase in deferred outflows of resources and the increase in total liabilities plus the decrease in deferred inflows of resources nets to a decrease in total net positon of $360,646 or 20.20%.

In fiscal year 2016, the combination of the decrease in total assets plus the increase in deferred outflows of resources and the decrease in total liabilities plus the increase in deferred inflows of resources nets to a decrease in total net positon of $510,270 or 22.23%.

Statements of Revenues, Expenses and Changes in Net Position

While the 2016 - 2017 comparisons are important indicators of activity during the year under audit, it is important to look at some of the operating and nonoperating categories over time. One of the important measures of an organization's fiscal stability is how operating revenues compare to operating expenses.

The following table summarizes the revenues, expenses and changes in net position for KOSU over the last three years:

	2017	2016	2015
Operating revenues	$ 1,269,434	$ 1,182,644	$ 1,141,709
Operating expenses	2,338,040	2,392,752	2,178,490
Operating loss	(1,068,606)	(1,210,108)	(1,036,781)
Nonoperating revenues	707,960	699,838	718,409
Loss before other revenues, expenses, gains and losses	(360,646)	(510,270)	(318,372)
Other revenues, expenses, gains and losses	-	-	120,422
Net decrease in net position	$ (360,646)	$ (510,270)	$ (197,950)

Operating revenues of $1,269,434 in fiscal year 2017 increased $86,790 or 7.34% over fiscal year 2016. The increase is due to an increase in contributions of $129,064, and increase in miscellaneous income of $9,577 and an increase in underwriting of $110,781. This is offset by a decrease in in-kind contributions of $18,738, a decrease in the community service grants of $86,156 and a decrease in journalism foundation grants for facilities and equipment of $57,738.

Operating revenues of $1,182,644 in fiscal year 2016 increased $40,935 or 3.59% over fiscal year 2015. The increase is due to an increase of $79,973 in journalism foundation grants for facilities and equipment and an increase of $10,858 in underwriting revenue. This is offset by a decrease in contributions of $10,477, a decrease in in-kind contributions of $3,428, a decrease in miscellaneous income of $2,748 and a decrease in the community service grants of $33,243.

The following table summarizes the operating revenues of KOSU for the last three years:

	2017	2016	2015
Operating Revenues			
Contributions	$ 689,816	$ 560,752	$ 571,229
In-kind contributions	35,794	54,532	57,960
Miscellaneous income	33,337	23,760	26,508
Community and rural service grants	162,416	248,572	281,815
Journalism foundation grants for facilities and equipment	22,235	79,973	-
Underwriting revenue	325,836	215,055	204,197
Total operating revenues	$ 1,269,434	$ 1,182,644	$ 1,141,709

Operating expenses for fiscal year 2017 decreased $54,712 or 2.29% over fiscal year 2016. The decrease is due to a decrease in compensation and employee benefits of $122,069, a decrease in programming services of $56,140, a decrease in supplies and materials of $5,334, a decrease in travel of $6,786, a decrease in utilities of $4,390 and a decrease in depreciation of $200. The decreases were offset by an increase in professional and consulting services of $121,565, an increase in communications of $1,114, an increase in university facilities and administrative support of $7,430 and an increase in other operating expense of $10,098.

Operating expenses for fiscal year 2016 increased $214,262 or 9.84% over fiscal year 2015. The increase is due to an increase in compensation and employee benefits of $159,477, an increase in supplies and materials of $1,528, an increase in communications of $15,218, an increase in university facilities and administrative support of $12,132, an increase in depreciation of $3,239 and an increase in other operating expense of $55,041. The increases were offset by a decrease in professional and consulting services of $10,831, a decrease in programming services of $17,102, a decrease in travel of $1,264 and a decrease in utilities of $3,176.

	2017	2016	2015
Operating Expenses			
Compensation and employee benefits	$ 895,324	$ 1,017,393	$ 857,916
Professional and consulting services	206,655	85,090	95,921
Programming services	411,451	467,591	484,693
Supplies and materials	78,204	83,538	82,010
Travel	21,047	27,833	29,097
Communications	53,764	52,650	37,432
Utilities	65,388	69,778	72,954
University facilities and administrative support	103,622	96,192	84,060
Depreciation	233,750	233,950	230,711
Other operating expense	268,835	258,737	203,696
Total operating expenses	$ 2,338,040	$ 2,392,752	$ 2,178,490

Nonoperating revenues in fiscal year 2017 of $707,960 increased $8,122 or 1.16% over fiscal year 2016. Nonoperating revenues consisted of allocations from the University, donated facilities and administrative support and investment income. The increase was due to an increase in donated facilities and administrative support of $7,430 and investment income of $17,018. This was offset by a decrease in allocations of $16,326.

Nonoperating revenues in fiscal year 2016 of $699,838 decreased $18,571 or 2.59% over fiscal year 2015. Nonoperating revenues consisted of allocations from the University, donated facilities and administrative support and investment income. Allocations decreased by $19,989 and investment income decreased by $10,714. This was offset by an increase in donated facilities and administrative support of $12,132.

	2017	2016	2015
Allocations from OSU	$ 596,245	$ 612,571	$ 632,560
Donated facilities and administrative support	103,622	96,192	84,060
Investment income (loss), net	8,093	(8,925)	1,789
Total nonoperating revenues	$ 707,960	$ 699,838	$ 718,409

Statements of Cash Flows

The final statement presented by KOSU is the Statements of Cash Flows. The Statements of Cash Flows present detailed information about the cash activity of the station during the year. The statement is divided into five sections.

The first section deals with operating cash flows and shows the net cash provided (used) by the operating activities of KOSU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating and noncapital financing purposes. The third section reflects the cash flows from investing activities and shows the proceeds from investing activities. The fourth section reflects cash flows from capital activities. This section deals with the cash used for the acquisition of equipment. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statements of Revenues, Expenses and Changes in Net Position.

	2017	2016	2015
Cash provided by (used in):			
Operating activities	$ (639,793)	$ (807,233)	$ (948,612)
Noncapital financing activities	639,761	664,102	819,921
Investing activities	8,093	(8,925)	1,789
Capital and related financing activities	(8,061)	(49,991)	12,900
Net change in cash and cash equivalents	-	(202,047)	(114,002)
Cash and cash equivalents, beginning of year	-	202,047	316,049
Cash and cash equivalents, end of year	$ -	$ -	$ 202,047

In fiscal year 2017 the cash and cash equivalents, end of year, remained the same. The difference in net change in cash and cash equivalents from 2016 to 2017 was an increase of $202,047. This net increase was generated by an increase in net cash provided by operating activities of $167,440 an increase in net cash provided by investing activities of $17,018 and an increase in net cash provided by capital and related financing activities of $41,930, offset by a decrease in net cash provided by noncapital financing activities of $24,341.

In fiscal year 2016 the cash and cash equivalents, end of year, decreased by $202,047. The difference in net change in cash and cash equivalents from 2015 to 2016 was a decrease of $88,045. This net decrease was generated by an increase in net cash provided by operating activities of $141,379, a decrease in net cash provided by noncapital financing activities of $155,879, a decrease in net cash provided by investing activities of $10,714 and an increase in net cash used by capital and related financing activities of $62,891.

Economic Outlook

As a public service media, KOSU receives financial support from many sources, including listener contributions, corporate sponsorship, in-kind and direct support from Oklahoma State University, foundation grants and major gifts and grants from the Corporation for Public Broadcasting. Community support continues to represent KOSU's largest single funding source, and the station pursues strategies to grow revenues from listeners and businesses.

In fiscal year 2017, KOSU exceeded $1 million in listener contributions and business underwriting for the first time in station history. To sustain that growth, KOSU continues communicating with new, renewing and lapsed members through on-air and social media campaigns, direct mail, telemarketing and community events. The station is proactively soliciting listener support at the end of the calendar and fiscal year, and will continue to focus on developing its sustaining membership, major donor and grant solicitation efforts. The station will also continue to outsource its corporate underwriting sales to further grow revenues through stronger corporate and agency relationships.

KOSU's financial growth does face some challenges in fiscal year 2018 because of the economic realities facing public media in general and KOSU in particular. With more listener choices than ever for content across media platforms, KOSU must continue pursuit of a locally relevant broadcast and digital service to generate local support. There is also more demand for philanthropic dollars in fiscal year 2018 because of multiple natural disasters impacting the United States, and in Oklahoma, the giving climate has also been negatively impacted by the sluggish energy industry and decreases in tax-based support of public institutions.

Despite these challenges, KOSU continues to make the case of support with the communities the station serves, and we will invest those dollars in the creation of public service journalism and music content that serve as the fabric of the Oklahoma experience for nearly 100,000 weekly listeners.

Kelly Burley
KOSU-FM Radio Station Director

Gary Shutt
Director of Communication Services

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Accounts receivable, net	$ 34,580	$ 42,632
Prepaid expenses	33,045	32,179
Beneficial interest in assets held by OSU Foundation	132,904	270,946
Total current assets	200,529	345,757
Noncurrent Assets		
Beneficial interest in assets held by OSU Foundation	107,826	99,733
Capital assets, net of accumulated depreciation	1,994,440	2,220,129
Total noncurrent assets	2,102,266	2,319,862
Total assets	2,302,795	2,665,619
Deferred Outflows of Resources	327,663	74,171
Liabilities		
Current Liabilities		
Bank overdraft	85,124	69,111
Accounts payable	92,062	39,764
Accrued expenses	7,961	2,924
Accrued compensated absences	59,334	57,471
Unearned revenue	27,395	94,678
Total current liabilities	271,876	263,948
Noncurrent Liabilities		
Pension liability	895,662	576,471
Total noncurrent liabilities	895,662	576,471
Total liabilities	1,167,538	840,419
Deferred Inflows of Resources	38,410	114,215
Net Position		
Net investment in capital assets	1,994,440	2,220,129
Restricted		
Nonexpendable	107,826	99,733
Expendable	39,744	69,605
Unrestricted	(717,500)	(604,311)
Total net position	$ 1,424,510	$ 1,785,156

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Contributions	$ 689,816	$ 560,752
In-kind contributions	35,794	54,532
Miscellaneous income	33,337	23,760
Community and rural service and journalism grants	184,651	328,545
Underwriting revenue	325,836	215,055
Total operating revenues	1,269,434	1,182,644
Operating Expenses		
Compensation and employee benefits	895,324	1,017,393
Professional and consulting services	206,655	85,090
Programming services	411,451	467,591
Supplies and materials	78,204	83,538
Travel	21,047	27,833
Communications	53,764	52,650
Utilities	65,388	69,778
University facilities and administrative support	103,622	96,192
Depreciation	233,750	233,950
Other operating expense	268,835	258,737
Total operating expenses	2,338,040	2,392,752
Operating Loss	(1,068,606)	(1,210,108)
Nonoperating Revenues (Expenses)		
General allocations from OSU	596,245	612,571
Donated facilities and administrative support	103,622	96,192
Investment income (loss)	8,093	(8,925)
Total nonoperating revenues	707,960	699,838
Decrease in net position	(360,646)	(510,270)
Net Position - Beginning of Year	1,785,156	2,295,426
Net Position - End of Year	$ 1,424,510	$ 1,785,156

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Cash received from contributions, grants, underwriting and miscellaneous receipts	$ 1,340,153	$ 1,193,548
Cash paid to suppliers	(1,157,535)	(1,159,002)
Cash paid to employees	(822,411)	(841,779)
Net cash used in operating activities	(639,793)	(807,233)
Noncapital Financing and Other Activities		
General allocations from OSU	520,126	527,167
Change in bank overdraft	16,013	69,111
Other	103,622	67,824
Net cash provided by noncapital financing and other activities	639,761	664,102
Investing Activities		
Investment income (loss)	8,093	(8,925)
Net cash provided by (used in) investing activities	8,093	(8,925)
Capital and Related Financing Activities		
Cash paid for capital assets	(8,061)	(49,991)
Net cash used in capital and related financing activities	(8,061)	(49,991)
Decrease in Cash and Cash Equivalents	-	(202,047)
Cash and Cash Equivalents, Beginning of Year	-	202,047
Cash and Cash Equivalents, End of Year	$ -	$ -

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (1,068,606)	$ (1,210,108)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	233,750	233,950
On-behalf contribution to teachers' retirement system	76,119	85,404
Changes in assets and liabilities		
Accounts receivable, net	8,052	(2,997)
Prepaid expenses	(866)	(1,414)
Beneficial interest in assets held by OSU Foundation	129,949	132,615
Accounts payable	52,298	(16,179)
Pension liability and deferrals	(10,106)	87,625
Accrued expenses	5,037	(4,442)
Accrued compensated absences	1,863	7,027
Unearned revenue	(67,283)	(118,714)
Net cash used in operating activities	$ (639,793)	$ (807,233)
Supplemental Cash Flows Information		
Donated facilities and administrative support	$ 103,622	$ 96,192

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying financial statements include the accounts of the KOSU-FM Radio Station (KOSU) of Oklahoma State University. KOSU is owned and operated by Oklahoma State University (the "University") and is not a separate corporation, but a public service entity of the University. The University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") and is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma (the "State").

The accompanying financial statements have been prepared from the separate records maintained by management of the University and may not necessarily be indicative of the conditions that would have existed or the results of operations if KOSU had been operated as an unaffiliated entity. Portions of certain revenues and expenses represent allocations made from items applicable to Oklahoma State University as a whole.

Financial Statement Presentation

As a member of the Oklahoma State System of Higher Education, the University (which includes KOSU) presents its financial statements in accordance with requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management 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 financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of KOSU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting

KOSU's financial statements have been prepared using the economic resources measurement 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 Equivalents

KOSU considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges and Accounts Receivable

KOSU engages in semiannual fundraising campaigns manifested by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to KOSU for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Uncollected pledges that are not enforceable against contributors are not shown as assets on the statement of net position.

Accounts receivable consist of unconditional contributions receivable including amounts due under pledge agreements.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, KOSU's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for building improvements, 10 years for leasehold improvements and 5 to 7 years for equipment.

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.

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, KOSU 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 and was $35,794 and $54,532 for the years ended June 30, 2017 and 2016, respectively.

Broadcasting Tower Space

In November 1997, the Board of Regents (the "Grantor") and an outside third party (the "Grantee") entered into an agreement whereby the Grantor sold certain real properties and conveyed a perpetual lease to use described premises and structures to Grantee for the purpose of permitting the Grantee to construct, operate, maintain, repair, alter and replace communications facilities. The Grantor received a perpetual nonexclusive lease, license and right to operate from said premises and tower thereon radio and other broadcasting and broadcasting support equipment. For the years ended June 30, 2017 and 2016, neither KOSU nor the Grantee has assigned any value for the usage of the Tower.

Deferred Outflows of Resources

KOSU reports it's proportionate share of increases in net position generated by the University's defined benefit pension plan that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

Unearned Revenues

Unearned revenues include amounts received for underwriting and from grant sponsors that have not yet been earned.

Compensated Absences

The liability and expense incurred for employee vacation pay are recorded as accrued compensated absences in the statements of net position, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Pensions

The University participates in a cost-sharing multiple-employer defined benefit pension plan - Teacher Retirement System of Oklahoma (OTRS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

KOSU reports it's proportionate share of decreases in net position generated by the University's defined benefit pension plan that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Income Taxes

The University is exempt from income taxes under section 115(1) of the Internal Revenue Code, as amended. As a department of the University, KOSU is also exempt from income taxes.

Contributed Facilities and Indirect Administrative Support

KOSU occupies without charge certain premises located in and owned by the University. The estimated fair value of the premises is reported as revenue and expense in the period when the premises are used.

Indirect administrative support was provided by various offices and services of the University. This calculation included institutional support from various administrative offices of the University, physical plant operations and occupancy rental value. The amount of this support is calculated by a formula designed by the CPB. The base financial data used in the calculation is taken directly from the University's annual financial statements. Donated facilities and indirect administrative support of $103,622 and $96,192 were recorded for the years ended June 30, 2017 and 2016, respectively.

Net Position

KOSU's net position is classified as follows:

Net investment in capital assets: This represents KOSU's total investment in capital assets, net of 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: Restricted expendable net position includes resources in which KOSU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net position - nonexpendable: Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position: Unrestricted net position represents resources derived from the recovery of facilities and administrative costs and services of auxiliary operations. These resources are used for transactions relating to the educational and general operations of KOSU, and 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, KOSU's policy is to use prudent decision processes to determine which resources will be applied based on availability of funding, donor intent and returns available from idle funds.

Classification of Revenues

KOSU has classified its revenues as either operating or nonoperating revenues in accordance with the guidelines established by GASB No. 34. Since contributions, grants and underwriting constitute the principal ongoing operations, they have been classified as operating revenues.

New Pronouncements

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for periods beginning after December 15, 2016. Earlier application is encouraged.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This Statement is effective for periods beginning after June 15, 2018. Earlier application is encouraged.

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for periods beginning after December 15, 2018. Earlier application is encouraged.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements, which include a variety of topics including blending component units, goodwill, fair value measurement and application and postemployment benefits. This Statement is effective for periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for periods beginning after June 15, 2017. Earlier application is encouraged.

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined the effect, if any, of adoption of the new GASB statements for the financial statements.

Note 2: Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

At June 30, 2017 and 2016, the carrying amount of KOSU's cash and cash equivalents was $0. Cash equivalents typically consist of deposits with the State Treasurer and U.S. financial institutions.

The State Treasurer requires that all state funds are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. KOSU'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.

KOSU requires that balances on deposit with financial institutions be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, in KOSU's name.

Note 3: Accounts Receivable

Unconditional contributions and pledges receivable are as follows at June 30:

	2017	2016
Contributions and pledges receivables	$ 34,580	$ 50,000
Present value discount of 7.11%	-	(4,868)
Allowance for uncollectible pledges	-	(2,500)
Accounts receivable, net	$ 34,580	$ 42,632

The multiyear pledge receivable is expected to be received in installments of $25,000 beginning July 1, 2016, and ending July 31, 2017.

Note 4: Unearned Revenue

Unearned revenue consists of the following at June 30:

	2017	2016
Underwriting	$ 23,441	$ 41,120
Grants and contracts	3,954	53,558
	$ 27,395	$ 94,678

Note 5: Capital Assets

Following are the changes in capital assets for the years ended June 30:

	2017				
	June 30, 2016	Additions	Transfers	Disposals	June 30, 2017
Cost of capital assets					
Records and tapes	$ 173,867	$ -	$ -	$ -	$ 173,867
Building and leasehold improvements	235,916	8,061	-	-	243,977
Office machines	1,913	-	-	-	1,913
Broadcast equipment	320,116	-	-	-	320,116
Fundraising equipment	18,251	-	-	-	18,251
Programming and production equipment	64,224	-	-	-	64,224
Automobiles	47,834	-	-	-	47,834
Towers	2,473,005	-	-	-	2,473,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	-	272,459
Intangible assets	45,000	-	-	-	45,000
Total cost of capital assets	3,652,585	8,061	-	-	3,660,646
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(116,846)	(19,221)	-	-	(136,067)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(262,443)	(20,416)	-	-	(282,859)
Fundraising equipment	(18,254)	-	-	-	(18,254)
Programming and production equipment	(36,951)	(7,792)	-	-	(44,743)
Automobiles	(42,531)	(2,200)	-	-	(44,731)
Towers	(603,286)	(168,310)	-	-	(771,596)
Transmitter facilities (building and transmitter equipment)	(158,365)	(6,811)	-	-	(165,176)
Intangible assets	(18,000)	(9,000)	-	-	(27,000)
Total accumulated depreciation	(1,432,456)	(233,750)	-	-	(1,666,206)
Net book value	$ 2,220,129	$ (225,689)	$ -	$ -	$ 1,994,440

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Notes to Financial Statements
June 30, 2017 and 2016

	2016				
	June 30, 2015	Additions	Transfers	Disposals	June 30, 2016
Cost of capital assets					
Records and tapes	$ 173,867	$ -	$ -	$ -	$ 173,867
Building and leasehold improvements	199,515	36,401	-	-	235,916
Office machines	1,913	-	-	-	1,913
Broadcast equipment	306,526	13,590	-	-	320,116
Fundraising equipment	18,251	-	-	-	18,251
Programming and production equipment	64,224	-	-	-	64,224
Automobiles	47,834	-	-	-	47,834
Towers	2,473,005	-	-	-	2,473,005
Transmitter facilities (building and transmitter equipment)	272,459	-	-	-	272,459
Intangible assets	45,000	-	-	-	45,000
Total cost of capital assets	3,602,594	49,991	-	-	3,652,585
Accumulated depreciation					
Records and tapes	(173,867)	-	-	-	(173,867)
Building and leasehold improvements	(99,849)	(16,997)	-	-	(116,846)
Office machines	(1,913)	-	-	-	(1,913)
Broadcast equipment	(239,603)	(22,840)	-	-	(262,443)
Fundraising equipment	(18,254)	-	-	-	(18,254)
Programming and production equipment	(29,159)	(7,792)	-	-	(36,951)
Automobiles	(40,331)	(2,200)	-	-	(42,531)
Towers	(434,976)	(168,310)	-	-	(603,286)
Transmitter facilities (building and transmitter equipment)	(151,554)	(6,811)	-	-	(158,365)
Intangible assets	(9,000)	(9,000)	-	-	(18,000)
Total accumulated depreciation	(1,198,506)	(233,950)	-	-	(1,432,456)
Net book value	$ 2,404,088	$ (183,959)	$ -	$ -	$ 2,220,129

Note 6: Grants

Community Service

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.

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.

The CSGs received and expended during the year ended June 30, 2017, were as follows:

Year of Grant	Grants Received		Expended as of June 30, 2017	Uncommitted Balance at June 30, 2017	Uncommitted Balance at June 30, 2016
10/1/2016 - 2018	$ 152,840	*	$ 152,791	$ 49	$ -
10/1/2015 - 2017	223,911	**	220,381	3,530	11,784
10/1/2014 - 2016	156,878	***	156,503	375	1,747

* These amounts were received during the year ended June 30, 2017.

** These amounts were received during the year ended June 30, 2016.

*** These amounts were received during the year ended June 30, 2015.

Ethics and Excellence in Journalism Foundation

The Ethics and Excellence in Journalism Foundation (EEJF) has a mission to invest in the future of journalism by building the ethics, skills and opportunities needed to advance principled, probing news and information. The EEJF does this through contributions to media institutions and journalism schools nationwide, primarily in areas of investigative reporting, youth education, professional development and special opportunities. The EEJF awarded a grant to Oklahoma State University Foundation on behalf of KOSU in the amount of $120,000 for the purpose of a "KOSU Hart Beat Studio broadcast infrastructure." The funds were received in September 2014. As of June 30, 2017, expenditures were $102,208.

Note 7: Functional Expense Classification

KOSU's operating expenses by functional classification were as follows for the years ended June 30:

	2017	2016
Program services		
Programming and production	$ 930,576	$ 1,019,075
Broadcasting	531,218	612,838
Support services	537,343	518,198
Fundraising	338,903	242,641
Management and general		
	$ 2,338,040	$ 2,392,752

Note 8: Related Party Transactions

The Oklahoma State University Foundation

Nature of Relationship

The Foundation was formed to promote and foster the educational and cultural interest of every kind and description of the University, a public institution of higher education and a public educational corporation of the State and to create a fund to be used for any program, project or enterprise undertaken in the interest of the University and to promote and foster educational and cultural interests in the State and southern and southwestern regions of the United States.

Description of Operations

The Foundation acts largely as a fundraising organization: soliciting, receiving, managing and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit, making the funds available as needed.

In February 2015, a gift was received at the Foundation to establish the Casey Allyn Gosnell Student Internship Endowed Fund for the purpose of establishing a scholarship to be awarded by the University Scholarship Committee to an enrolled student working as a news reporting intern at the KOSU radio station.

Amounts reflected as beneficial interest in assets held by the Foundation represent contributions held for the sole benefit of KOSU including the endowed fund.

Related party transactions, summary financial information and funds held by the Foundation on behalf of KOSU are as follows for the fiscal year ended June 30:

	2017	2016
Contributions and underwriting revenue received	$ 999,452	$ 757,084
Journalism grants for facilities and equipment	22,235	79,973
Funds expended on behalf of KOSU	(201,520)	(39,099)
	820,167	797,958
Investment income (loss), net	8,093	(8,925)
Spending policy distribution	3,260	3,220
Transfers to KOSU University accounts	(902,516)	(837,778)
	(70,996)	(45,525)
Net assets held for KOSU, beginning of year	326,062	371,587
Net assets held for KOSU, end of year	$ 255,066	$ 326,062

Below are activities related to the noncash portion of beneficial interest in assets held by the Foundation on behalf of KOSU related to the endowment fund for the fiscal year ended June 30:

	2017	2016
Balance, beginning of year	$ 99,733	$ 108,658
Change in endowment fund during the year		
Investment return		
Investment gain (loss), net	6,531	(502)
Unrealized gains (losses)	4,822	(5,203)
Total investment (loss) return	11,353	(5,705)
Amounts appropriated for expenditures	(3,260)	(3,220)
Total changes	8,093	(8,925)
Balance, end of year	$ 107,826	$ 99,733

Note 9: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017 and 2016:

		2017		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Interest in pooled investment fund of the Foundation	$ 107,826	$ -	$ -	$ 107,826

		2016		
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Interest in pooled investment fund of the Foundation	$ 99,733	$ -	$ -	$ 99,733

Interest in Pooled Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair value is estimated by the Foundation based on active markets, estimated prices of similar assets or NAV as provided to them by fund managers. KOSU classifies their interest as Level 3 due to the limited details available on specific investments within the pool.

Note 10: Commitments and Contingent Liabilities

KOSU participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes KOSU has complied with grant requirements and that disallowances, if any, will not be material.

In January of 2011, PRC Tulsa-1 LLC assigned to KOSU a 55-year land lease with the Commissioners of the Land Office of the State of Oklahoma as Administrator of the Oklahoma School Lands Trust for the location of a tower.

On October 15, 2012, KOSU entered into a lease agreement with Hart Partners, LLC for the purpose of leasing 4,029 square feet of space at 720 W. Sheridan Avenue, in the Film Row art district in downtown Oklahoma City. As part of the lease agreement, KOSU will be responsible for the prorated triple net (NNN) costs based off their percentage of occupancy space which is 10%. Electricity is metered separately and billed monthly. The term of the lease is for five years. KOSU began occupancy on June 18, 2013, when construction was substantially complete. KOSU has options to renew the lease at the same NNN terms. An option to renew for years six through ten at a 61% increase per square foot above the current rate, and an option to renew for years eleven through fifteen at an 18% additional increase. KOSU officially opened their new offices and studios in the Hart building on September 20, 2013.

On June 25, 2014, PRC Tulsa-1 LLC assigned to KOSU a 20-year land lease and easement agreement with Mary Lou Crupper for the location of a tower, a three-year tower and equipment space license agreement with GTP Acquisition Partners II, LLC for a translator station and a three-year tower attachment license agreement with Southern Towers, Inc. for a translator station.

On June 25, 2014, PRC Tulsa-1 LLC assigned to KOSU an annual tower management agreement with Griffin Tower Company (Manager) to manage the KOSN tower located in Ketchum, Oklahoma. In accordance with the agreement, the Manager agrees to use its commercially reasonable efforts to obtain tenants for vacant tower space. The Manager is responsible for maintenance and lighting on the tower. As compensation for brokering vacant tower space, KOSU will pay the Manager a commission as well as reimburse the Manager for any reasonable and necessary out-of-pocket expenses incurred in connection with the brokerage activities. In regard to maintenance and lighting, KOSU will pay the Manager a monthly retainer for eight hours of maintenance per month with any hours exceeding those eight hours being billed at an hourly rate. KOSU will pay the Manager for any reasonable and necessary out-of-pocket expenses incurred in connection with the maintenance of the KOSN tower. The total monthly retainer amount paid was $7,200 for each of the years ended June 30, 2017 and 2016, respectively. No additional amounts were paid in relation to the assigned annual tower management agreement.

On September 22, 2014, KOSU entered into an antenna collocation lease agreement with The City of Ponca City, Oklahoma, a Municipal Corporation for the purpose of installing, operating and maintaining a translator station. The initial term of the lease is for a period of five years commencing on February 1, 2015. KOSU has the option to renew the lease every five years with an increase in the annual rent by 15% of the annual rent rate in place prior to the renewal.

Rent expense under operating leases was $61,268 and $60,992 for the years ended June 30, 2017 and 2016, respectively.

The future minimum lease payments under noncancelable operating leases at June 30, 2017, are as follows:

Year ending:	
2018	$ 56,725
2019	19,100
2020	4,700
2021	1,200
2022	-
	$ 81,725

Note 11: Risk Management

Due to the diverse risk exposure of the University and its constituent agencies including KOSU, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic tort, educator's legal liability, property and casualty programs and fidelity bonding provided by the Risk Management Division of the Office of Management and Enterprise Services (the "SRMD"). In addition to these basic policies, the University's Department of Risk and Property Management establishes enterprise risk management guidelines for risk assessment, risk avoidance, risk acceptance and risk transfer.

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma Governmental Tort Claims Act. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations or a funded reserve to maintain this risk.

Beyond acceptable retention levels, risk transfer is practiced by purchasing conventional insurance coverage directly or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a $500,000 deductible, of which $50,000 is the obligation of KOSU.

- Out-of-state and out-of-country comprehensive general liability, educator's legal liability including employment practices, auto liability, aircraft liability, watercraft liability, leased vehicles, equipment and fidelity bonds are acquired by the University from the SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

Self-Funded Programs

The University's life insurance program for the University and its constituent agencies including KOSU, was self-funded through December 31, 2003. Effective January 1, 2004, life waivers for disabled employees and their dependents were all that remained in the self-funded plan. Reserves were established at the onset of disability to pay the claims. In 2009, the University reached an agreement to apportion the remaining reserve between the University and the former TPA, American Fidelity Assurance. American Fidelity Assurance assumed all liability for all runoff claims. Effective January 1, 2004, the University's life coverage is handled through an insured plan.

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and participated in the State self-insurance program through December 31, 2007. Effective January 1, 2008, the University began participation in an insured program with BlueCross BlueShield of Oklahoma as the provider. The University believes that there is no exposure to pay run-off claims for the previous self-insured program at June 30, 2017. Beginning January 1, 2015, the University's health care program again became self-funded. BlueCross BlueShield is the third-party administrator. The University has employed Lockton Company as a consultant to assist with premium setting, development of plan features, reserve funding and use of third-party stop loss coverage insurance.

The University's workers' compensation program is self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by State law and include lump-sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges requires that the University maintain a minimum of $700,000 in reserve to cover claims. This minimum cash balance is considered each year during the rate-setting process.

Accruals for these self-funded programs are not reflected on the statements of net position as these costs are not allocated to KOSU by the University.

Note 12: Retirement Plans

The University's full-time academic and nonacademic personnel are covered by various retirement plans depending on their job classification and the employee's choices. The plans available to University personnel include a defined benefit plan, the Oklahoma Teachers Retirement System (OTRS). Employees of KOSU, as OTRS members, are required to contribute to the plan at a rate established by the legislature of the State. For the years ended June 30, 2017 and 2016, the contribution rate for the system members of 7.00% is applied to their total compensation. The local employer contribution rate due from the University was 8.55% for the years ended June 30, 2017 and 2016. The University administratively pays these expenses for KOSU. These costs are included with other fringe benefits.

The State is also required to contribute to the OTRS on behalf of participating employers. For the years ended June 30, 2017 and 2016, the State contributed 5% of State revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. KOSU has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying its direct OTRS contributions to the ratio of State contributions to University contributions. For the years ended June 30, 2017 and 2016, the estimated amount contributed to the OTRS by the State on behalf of KOSU was approximately $76,119 and $85,404, respectively. These on-behalf payments have been recorded as both revenue and expense in the statement of revenues, expenses and changes in net position.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Comprehensive disclosures are available in the University financial statements.

Note 13: Subsequent Events

KOSU has evaluated events or transactions that occurred subsequent to June 30, 2017, through November 28, 2017, the date these financial statements were available to be issued, for potential recognition or disclosure in these financial statements.

BKD
CPAs & Advisors

910 E. St. Louis Street, Suite 200 | P.O. Box 1190 | Springfield, MO 65801-1190
417.865.8701 | Fax 417.865.0682 | bkd.com

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

Board of Regents for the
Oklahoma Agricultural & Mechanical Colleges
Oklahoma State University
Oklahoma City, Oklahoma

We have audited 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, the financial statements of KOSU-FM Radio Station, a Public Broadcasting Entity operated by Oklahoma State University (KOSU), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise KOSU's basic financial statements and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

Management of KOSU is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered KOSU's 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 KOSU's internal control. Accordingly, we do not express an opinion on the effectiveness of KOSU'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of KOSU's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 KOSU's financial statements are free of 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*.

We noted certain matters that we reported to the University's management in a separate letter dated November 28, 2017.

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 KOSU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
November 28, 2017

KOSU-FM Radio Station
A Public Broadcasting Entity Operated by
Oklahoma State University
Schedule of Findings and Responses
June 30, 2017

Reference Number	Finding
	No matters are reportable.