
MURRAY STATE UNIVERSITY
WKMS-FM RADIO
FINANCIAL STATEMENTS
JUNE 30, 2017



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Report of Independent Auditors

Board of Regents
Murray State University
WKMS-FM Radio
Murray, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of WKMS-FM Radio (the Station), a public telecommunications division of Murray State University, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2017, and the respective change in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 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 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.

Predecessor Auditor

The financial statements of WKMS-FM Radio, as of and for the year ended June 30, 2016, were audited by other auditors whose report dated November 11, 2016, expressed an unmodified opinion on those statements.

Dean Dotson Allen Ford, PLLC

November 13, 2017
Louisville, Kentucky

MURRAY STATE UNIVERSITY

WKMS-FM RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 And 2016

Introduction

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of WKMS-FM Radio Station (the Station) for the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Station is located on the campus of Murray State University (the University). WKMS broadcasts National Public Radio and local programs that inform, enrich and entertain in concert with the mission of the University. The Station's skilled staff, students and volunteers serve listeners with comprehensive music and information programs that reflect current affairs, history and cultures.

Using The Financial Statements

The financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. These financial statements and accompanying Notes are prepared in accordance with the appropriate Governmental Accounting Standards Board (GASB) pronouncements.

Statement Of Net Position

The Statement of Net Position presents a financial picture of the Station's financial condition at the end of the 2017 and 2016 fiscal years by reporting assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets less liabilities).

Assets

Total assets at the end of the fiscal year 2017 were \$1,115,602, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$869,366 or 78% of total assets. For fiscal year 2017, total assets increased by \$38,165, primarily due to an increase in cash from private grant – non operating revenue of \$22,704.

Total assets at the end of the fiscal year 2016 were \$1,077,437, of which cash and cash equivalents represented the largest portion. This group of assets totaled \$806,781 or 75% of total assets. For fiscal year 2016, total assets increased by \$90,223, primarily due to an increase cash from an increase in advertising revenue of \$36,476 and an increase in donations of \$41,896.

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

Liabilities

Total liabilities at the end of the fiscal year 2017 were \$148,041. Amounts payable to vendors and for payroll related obligations totaled \$93,624 or 63% of total liabilities. For fiscal year 2017, total liabilities increased by \$28,575 due primarily to an increase in accounts payable to vendors of \$23,609.

Total liabilities at the end of the fiscal year 2016 were \$119,466. Amounts payable to vendors and for payroll related obligations totaled \$59,357 or 50% of total liabilities. For fiscal year 2016, total liabilities increased by \$17,362 due primarily to an increase in unearned revenue of \$9,934, the result of increased activity in current contracts.

Net Position

Net position was \$967,561 at the end of fiscal year 2017 and was divided into three major categories, defined as follows:

- Net investment in capital assets - This category represents the Station's equity in equipment.
- Restricted - This category represents those assets restricted by an individual or entity external to the Station. Restricted expendable net assets represent the assets that may be expended by the Station, but must be spent for purposes as defined by the donor or external entity. Nonexpendable restricted net asset amounts represent amounts in which that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.
- Unrestricted - This category represents the net assets held by the Station that have no formal restrictions placed upon them.

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WKMS-FM RADIO

Management's Discussion And Analysis (*Continued*)

Condensed Statement Of Net Position

	June 30,		
	2017	2016	2015
Assets			
Current assets	\$ 658,306	\$ 619,574	\$ 486,935
Noncurrent assets	349,892	307,187	288,827
Capital assets	107,404	150,676	211,452
Total Assets	1,115,602	1,077,437	987,214
Current Liabilities	148,041	119,466	102,104
Net Position			
Invested in capital assets, net of related debt and depreciation	107,404	150,676	211,452
Restricted for:			
Nonexpendable	10,000	10,000	10,000
Expendable:			
Operations and other	320,981	274,459	269,066
Unrestricted	529,176	522,836	394,592
Total Net Position	\$ 967,561	\$ 957,971	\$ 885,110

Statement Of Revenues, Expenses And Changes In Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred and income or loss from operations for the current and prior fiscal years. Activities are reported as either operating or nonoperating. Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

Revenues

Total operating revenues, which exclude University appropriations, for the fiscal year 2017 were \$319,821. The primary source of operating revenues was from business and industry underwriting of \$206,080.

Nonoperating revenues for the fiscal year 2017, which included grants and contracts and University appropriations, totaled \$1,218,974. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues, unless the funds were used in capital projects. In this case, grants and

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Management's Discussion And Analysis (*Continued*)

contract revenues used to fund capital projects are classified as capital grants. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues decreased by \$31,954 during the year, which was primarily due to a decrease in general appropriations from the University of \$28,930.

The Station received \$440,582 of the University's appropriations and \$310,604 of administrative support for the fiscal year 2017, which are classified as nonoperating revenues. These funds were used to support station operating activities.

Nonoperating revenues for the fiscal year 2016, which included grants and contracts and University appropriations, totaled \$1,250,928. Grant and contract revenues related to nonexchange type agreements are classified as nonoperating revenues, unless the funds were used in capital projects. In this case, grants and contract revenues used to fund capital projects are classified as capital grants. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange. Total nonoperating revenues increased by \$54,110 during the year, which was primarily due to an increase in administrative support from the University of \$20,286 and an increase in subscriptions and memberships of \$41,896.

The Station received \$469,512 of the University's appropriations and \$328,128 of administrative support for the fiscal year 2016, which are classified as nonoperating revenues. These funds were used to support station operating activities.

Expenses

Total operating expenses for the fiscal year 2017 were \$1,529,205. Total program services and supporting services expenses were \$907,050 and \$570,084, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$52,071 or 3% of total operating expenses.

Total operating expenses for the fiscal year 2016 were \$1,414,602. Total program services and supporting services expenses were \$791,012 and \$562,814, respectively. Depreciation expense was not allocated to each program group, but presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$60,776 or 4% of total operating expenses.

MURRAY STATE UNIVERSITY
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Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Revenues, Expenses And Changes In Net Position

	2017	2016	2015
Operating Revenues	\$ 319,821	\$ 236,535	\$ 264,548
Operating Expenses	1,529,205	1,414,602	1,471,621
Operating Loss	(1,209,384)	(1,178,067)	(1,207,073)
Nonoperating Revenues	1,218,974	1,250,928	1,196,818
Change In Net Position	9,590	72,861	(10,255)
Net Position - Beginning Of Year	957,971	885,110	895,365
Net Position - End Of Year	\$ 967,561	\$ 957,971	\$ 885,110

Statement Of Cash Flows

The Statement of Cash Flows provide a summary of the sources and uses of cash by defined categories. The primary purposes of the Statement of Cash Flows are to provide information about the Station's cash receipts and payments during the years and to help assess the Station's ability to generate future net cash flows and meet obligations as they become due.

For 2017, the major source of cash from operating activities was business and industry underwriting of \$204,393. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$663,028.

The cash flows from noncapital financing activities include \$440,582 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

The cash flows from investing activities represent the cash activities of investments related to restricted investments.

For 2016, the major source of cash from operating activities was business and industry underwriting of \$200,392. The most significant uses of cash for operating activities were payments for salaries, wages and benefits of \$668,616.

The cash flows from noncapital financing activities include \$469,512 received as general appropriations from the University, which is the largest source of cash for the fiscal year.

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Management's Discussion And Analysis (*Continued*)

The cash flows from investing activities represent the cash activities of investments related to restricted investments

Capital Assets And Debt Administration

The Station had an \$22,863 decrease in capital assets during fiscal year 2017. This change is due to the \$8,799 purchase of a radio embedded exporter and the disposal of a mixer and a signal generator totaling \$31,662. The Station did not acquire any debt during fiscal year 2017.

The Station did not acquire any capital assets or debt during fiscal year 2016.

Economic Factors Affecting Future Periods

- Appropriations decisions by the United States Congress may impact grants from the Corporation for Public Broadcasting, which in turn, may impact the Station's budget for programming expenses.
- Changing economic conditions in the region will continue to have an impact upon the underwriting and fundraising efforts of the Station.

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Contacting The Station's Financial Management

This financial report is designed to provide a general overview of the Station's finances and to show the Station's accountability for the money it receives. Additional details can be requested by mail at the following address:

WKMS Radio Station
Chad Lampe, Station Manager
Murray State University
2018 University Station
Murray, Kentucky 42071

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF NET POSITION

	June 30,	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 530,783	\$ 509,825
Accounts receivable, net of allowance of \$37,654 in 2017 and \$30,021 in 2016	107,164	95,561
Prepaid expenses	20,359	14,188
Total Current Assets	658,306	619,574
Noncurrent Assets		
Restricted cash and cash equivalents	338,583	296,956
Restricted investments	11,309	10,231
Capital assets	909,828	932,691
Accumulated depreciation	(802,424)	(782,015)
Total Noncurrent Assets	457,296	457,863
Total Assets	1,115,602	1,077,437
Current Liabilities		
Accounts payable, accrued payroll and benefits	93,624	59,357
Unearned revenue	54,417	60,109
Total Current Liabilities	148,041	119,466
Net Position		
Net investment in capital assets	107,404	150,676
Restricted for:		
Nonexpendable	10,000	10,000
Expendable:		
Operations and other	320,981	274,459
Unrestricted	529,176	522,836
Total Net Position	\$ 967,561	\$ 957,971

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2017	2016
Operating Revenues		
Business and industry underwriting	\$ 206,080	\$ 207,418
In-kind contributions	82,895	6,153
Other	30,846	22,964
Total Operating Revenues	319,821	236,535
Operating Expenses		
Program Services:		
Programming and production	556,388	552,144
Broadcasting	220,023	134,747
Program information	130,639	104,121
Total Program Services	907,050	791,012
Supporting Services:		
Management and general	504,500	497,906
Fund-raising	32,792	32,454
Underwriting and grant support	32,792	32,454
Total Supporting Services	570,084	562,814
Depreciation	52,071	60,776
Total Operating Expenses	1,529,205	1,414,602
Operating Loss	(1,209,384)	(1,178,067)
Nonoperating Revenues		
General appropriation from Murray State University	440,582	469,512
Donated facilities and administrative support from Murray State University	310,604	328,128
Community service grants from Corporation for Public Broadcasting	216,288	194,886
Subscriptions and memberships	250,320	258,414
Investment income/(loss)	1,180	(12)
Total Nonoperating Revenues	1,218,974	1,250,928
Increase In Net Position	9,590	72,861
Net Position - Beginning Of Year	957,971	885,110
Net Position - End Of Year	\$ 967,561	\$ 957,971

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Business and industry	\$ 204,392	\$ 200,392
Payments to employees	(663,028)	(668,616)
Payments to suppliers	(392,510)	(333,514)
Other operating revenues	30,846	22,964
Net Cash Used In Operating Activities	(820,300)	(778,774)
Cash Flows From Noncapital Financing Activities		
General appropriation from Murray State University	440,582	469,512
Grants and contracts	216,288	246,884
Subscriptions/memberships	234,712	194,885
Net Cash Provided By Noncapital Financing Activities	891,582	911,281
Cash Flows From Capital Financing Activities		
Purchase of capital assets	(8,799)	—
Net Cash Used In Capital Financing Activities	(8,799)	—
Cash Flows Provided By Investing Activities		
Investment income	102	857
Net Increase In Cash And Cash Equivalents	62,585	133,364
Cash And Cash Equivalents - Beginning Of Year	806,781	673,417
Cash And Cash Equivalents - End Of Year	\$ 869,366	\$ 806,781
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities:		
Operating loss	\$ (1,209,384)	\$ (1,178,067)
Donated facilities and administration expense	310,604	328,128
Depreciation	52,071	60,776
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	4,005	(16,959)
(Increase)/Decrease in prepaid expenses	(6,171)	9,986
Increase/(Decrease) in accounts payable and accrued expenses	23,609	10,772
Increase/(Decrease) in accrued compensation	10,658	(3,344)
Increase/(Decrease) in unearned revenue	(5,692)	9,934
Net Cash Used In Operating Activities	\$ (820,300)	\$ (778,774)
Supplemental Cash Flow Information		
Donated facilities and administrative support from Murray State University	\$ 310,604	\$ 328,128
In-kind contributions	82,895	6,153
Unrealized (gain) loss on investments	1,078	(869)

**MURRAY STATE UNIVERSITY
WKMS-FM RADIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2017 And 2016**

1. Summary Of Significant Accounting Policies

Nature Of Organization

WKMS-FM Radio (the Station) is operated by and receives support from Murray State University (the University). The Station is included in the financial statements of the University.

Murray State University Foundation, Inc. (the Foundation) is a Kentucky not-for-profit corporation formed to receive and invest funds for the enhancement and improvement of the University. The Foundation is a fundraising organization which administers certain funds on behalf of the University. The Foundation coordinates the receipt of contributions and disbursements of those receipts for the Station.

Basis Of Accounting and Financial Statement Presentation

The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Restricted Cash, Cash Equivalents And Investments

Cash and investments that are held by both the Station and the Foundation that are externally restricted are classified as restricted assets. These assets are used to purchase capital or other noncurrent assets, or for other restricted purposes. Restricted investments held by the Foundation on behalf of the Station are invested primarily in an investment pool managed by the Foundation and are carried at fair value.

Accounts Receivable

Accounts receivable consist of grants and amounts to be received from business, industry, subscription and membership activities. Accounts receivable are recorded net of uncollectible amounts.

MURRAY STATE UNIVERSITY

WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Capital Assets

All capital assets, as defined by University policy, are recorded at cost at the date of acquisition, or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The following estimated useful lives are being used by the Station:

<u>Asset</u>	<u>Estimated Life</u>
Buildings	40 years
Nonbuilding improvements	10-20 years
Equipment	5-25 years

Unearned Revenue

Unearned revenues include amounts received from grant and contract sponsors for which eligibility requirements have not been fully satisfied or that have not yet been earned.

Net Position

The Station's net position is classified as follows:

Net investment in capital assets: This represents the Station's total investment in capital assets, net of outstanding debt obligations related to those capital assets. There is no debt issued at June 30, 2017 or 2016. 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 - nonexpendable: Nonexpendable restricted net position amounts represent amounts in which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity and invested for the purposes of producing income, which may either be expended or added to principal.

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

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Unrestricted net position: Unrestricted net position represent resources derived from underwriting sales and other sources. These resources are used for transactions relating to general operations of the Station, and may be used at the discretion of the governing board to meet current expenses or for any purpose.

Classification Of Revenues

The Station has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) business and industry underwriting, (2) in-kind contribution revenues, and (3) tower equipment rentals and other.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. In a nonexchange transaction, the Station receives value without directly giving equal value back, such as a gift or grant for which there is no return requirement. Additionally, certain significant revenues relied upon for operations, such as state appropriations, donated facilities and administrative support from the University and investment income are recorded as nonoperating revenues, in accordance with GASB No. 35.

Pledges And Contributions

The Station engages in periodic fundraising campaigns evidenced by on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other operating expenses. Financial contributions are frequently made by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. An allowance for uncollectible contributions receivable is provided based upon the Station's judgment including such factors as prior collection history and type of contribution. Contributions and collected pledges are components of nonoperating revenues.

Facilities And Administrative Support

The portion of the University's facilities and administration support attributable to the Station's operations and the value of space provided to the

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

Station by the University are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total donated facilities and administrative support from the University including in-kind contributions were \$310,604 and \$328,128 for the years ended June 30, 2017 and 2016, respectively.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are included at year-end with accrued payroll, and as a component of compensation and benefit expense. Sick leave benefits are expected to be realized as paid time off or used to purchase service credits upon retirement. These are recognized as expense when the time off occurs or when service credit payments are incurred. No liability is accrued for such benefits employees have earned but not yet realized.

Use Of Estimates

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. Accounts Receivable

Accounts receivable consist of:

	<u>2017</u>	<u>2016</u>
Business and industry underwriting	\$ 66,487	\$ 70,492
Subscription and membership pledges	64,777	52,411
Other	13,554	2,679
Allowance for doubtful accounts	<u>(37,654)</u>	<u>(30,021)</u>
	<u>\$ 107,164</u>	<u>\$ 95,561</u>

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

3. Deposits And Investments

Deposits

For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Foundation. Details of accounting transactions affecting cash are maintained by each entity. At June 30, 2017 and June 30, 2016, the carrying amounts of the Station's deposits were \$869,366 and \$806,781, respectively.

Currently the University maintains its deposits, outside of those held by the Commonwealth of Kentucky, in interest-bearing accounts at FDIC-insured institutions. All accounts are insured up to \$250,000. The deposits in these interest-bearing accounts are covered by an irrevocable, unconditional, and nontransferable letter of credit issued by Federal Home Loan Bank of Cincinnati maturing July 3, 2017, at which time a new letter of credit was issued maturing August 1, 2017.

The University also maintains cash deposits with the Commonwealth of Kentucky, as overseen by the State Investment Commission (Commission). The Commission is charged with the oversight of the Commonwealth's investment programs pursuant to KRS 42.500. The Commonwealth's investments are categorized into two distinct classifications or "pools." The Short-Term Pool consists primarily of General Fund cash balances. The Intermediate-Term Pool and the Limited Term Pool represent Agency fund investments, state held component unit and fiduciary fund accounts held for the benefit of others by the state. Shares of each pool represent a divisible interest in the underlying securities and are not federally insured or guaranteed by the U.S. Government, Federal Deposit Insurance Corporation or any federal agency. The pools have not been approved by the Securities and Exchange Commission. The University's shares within the pools may indirectly expose it to risks associated with fixed income investments; however, specific information about any such transactions is not available to the University.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk other than compliance with the provisions of state law

MURRAY STATE UNIVERSITY
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Notes To Financial Statements (*Continued*)

Cash and cash equivalents as presented in the statements of net position captions include:

	<u>2017</u>	<u>2016</u>
Current cash and cash equivalents	\$ 530,783	\$ 509,825
Restricted cash and cash equivalents	338,583	296,956
	<u>\$ 869,366</u>	<u>\$ 806,781</u>

4. Capital Assets

Capital assets activity for the year ended June 30, 2017 is:

	<u>Balance</u>				<u>Deletions/</u>		<u>Balance</u>
	<u>2016</u>	<u>Additions</u>	<u>Transfers</u>		<u>Retirements</u>		<u>2017</u>
Nonbuilding improvements	\$ 213,906	\$ —	\$ —	\$ —	\$ —	\$ —	213,906
Equipment	718,785	8,799	—	—	(31,662)	—	695,922
Less: Accumulated depreciation	782,015	52,071	—	—	(31,662)	—	802,424
Capital assets, net	\$ 150,676	\$ (43,272)	\$ —	\$ —	\$ —	\$ —	107,404

Capital assets activity for the year ended June 30, 2016 is:

	<u>Balance</u>				<u>Deletions/</u>		<u>Balance</u>
	<u>2015</u>	<u>Additions</u>	<u>Transfers</u>		<u>Retirements</u>		<u>2016</u>
Nonbuilding improvements	\$ 213,906	\$ —	\$ —	\$ —	\$ —	\$ —	213,906
Equipment	718,785	—	—	—	—	—	718,785
Less: Accumulated depreciation	721,239	60,776	—	—	—	—	782,015
Capital assets, net	\$ 211,452	\$ (60,776)	\$ —	\$ —	\$ —	\$ —	150,676

MURRAY STATE UNIVERSITY
WKMS-FM RADIO

Notes To Financial Statements (*Continued*)

5. Accounts Payable And Accrued Expenses

Accounts payable and accrued expenses at June 30 consisted of:

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts payable - vendors	\$ 40,899	\$ 17,290
Accrued payroll and benefits	52,725	42,067
	<u>\$ 93,624</u>	<u>\$ 59,357</u>

6. Nonfederal Financial Support (NFFS)

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on non-federal financial support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria of each.

A “contribution” is cash, property, or services given to a public broadcasting entity for general operating purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation, or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational public broadcast television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A “payment” is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

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Notes To Financial Statements (*Continued*)

Reported NFFS for the Station were \$1,293,602 and \$1,272,548 for the years ended June 30, 2017 and 2016, respectively.

7. Community Service Grants (CSGs)

The Station receives a Community Service Grant (CSG) from the Corporation for Public Broadcasting annually. The CSG's awarded and expended during the recent three fiscal years were as follows:

	Grant Awards	Expended As Of June 30,			Uncommitted Balance
		2017	2016	2015	
2014-2016	\$ 184,510	\$ 6,387	\$ 84,807	\$ 93,316	\$ —
2015-2017	182,822	111,942	68,956	—	1,924
2016-2018	184,276	74,468	—	—	109,808

8. Natural Expense Classifications

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

	Program Services	Management And General	Fundraising And Membership	Total	
				2017	2016
Compensation and benefits	\$ 463,578	\$ 145,890	\$ 65,584	\$ 675,052	\$ 666,475
Operating expenses	434,625	358,610	—	793,235	674,597
Noncapitalized equipment	8,847		—	8,847	12,754
	907,050	504,500	65,584	1,477,134	1,353,826
Depreciation	52,071	—	—	52,071	60,776
	\$ 959,121	\$ 504,500	\$ 65,584	\$ 1,529,205	\$ 1,414,602

9. Pension Liability

In accordance with GASB Statement 68, Accounting for Pensions, the University must recognize a proportional share of the net pension liability for the Kentucky Employees Retirement System (KERS) and the Kentucky Teachers Retirement System (KTRS) the cost sharing state pension plans in

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Notes To Financial Statements (*Continued*)

which the University participates. This reporting requirement became effective for fiscal years ending June 30, 2015.

The University reported a liability of \$312,777,307 and \$263,527,741 for the years ended June 30, 2017 and 2016, respectively, for its proportionate shares of the net pension liability in the plans. The net pension liability for TRS and KERS plans were measured as of June 30, 2016 and June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for all plans. The University's proportions of the net pension liabilities were based on projections of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the University's proportion was 0.698165% for TRS, 0.836194% for KERS-nh, and 0.396922% for KERS-h, and at June 30, 2015 the University's proportion was 0.722622% for TRS, 0.854037% for KERS-nh, and 0.388584 % for KERS-h.

The Station is a department of the University; therefore, no balances were allocated to the Station. Please refer to the University's financial statements for a complete and comprehensive disclosure of the University's pension plans.