KISU-FM

A Public Telecommunications Entity Operated by The State Board of Education – Idaho University System

Report of Independent Auditor's
and Financial Statements
June 30, 2017 and 2016

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KISU-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE STATE BOARD OF EDUCATION—IDAHO UNIVERSITY SYSTEM

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DEATON & COMPANY

INDEPENDENT AUDITOR'S REPORT

To Management
KISU-FM

Report on the Financial Statements

We have audited the accompanying financial statements of KISU-FM of Idaho State University as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise KISU-FM's basic financial statements as listed in the table of contents.

As discussed in Note A, the financial statements present only KISU-FM and do not purport to, and do not, present fairly the financial statement position of Idaho State University, as of June 30, 2017 and 2016, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KISU-FM of Idaho State University as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of KISU-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KISU-FM's internal control over financial reporting and compliance.

Deaton & Company

Pocatello, ID
November 21, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Management's Discussion and Analysis ("MD&A") presents an overview of the financial performance of the Idaho State Public Radio System (the "Station") based on currently known facts, decisions and conditions, and is designed to assist readers in the understanding of the accompanying financial statements. The MD&A discusses financial performance during the current year in comparison to the prior year with emphasis on the current year.

Overview of the Financial Statements and Financial Analysis

The financial statements for the fiscal years ended June 30, 2017 and 2016 are prepared in accordance with Governmental Accounting Standard Board ("GASB") principles. There are three financial statements presented: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position of the Station as of the current fiscal year-end in comparative format with the prior fiscal year-end. The purpose of the statement of net position is to present to the readers of the financial statements a point-in-time fiscal snapshot of the Station. The statement of net position presents year-end data concerning assets (current and noncurrent), liabilities (current and noncurrent) and net position (assets minus liabilities). The difference between current and noncurrent classification is discussed in the footnotes to the financial statements.

Financial Statement Presentation

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Station. They also are able to determine how much the Station owes vendors, investors and lending institutions. Finally, the statement of net position provides a picture of the net position (assets minus liabilities) and its availability for expenditure by the Station.

Net position is divided into two major categories. The first category, net investment in capital assets, provides the System's equity in capital assets. The last category is unrestricted net position. Unrestricted net position is available to the Station for any lawful purpose of the Station.

Summary Statement of Net Position
As Of June 30, 2017 and 2016

	2017	2016
ASSETS:		
Current assets	$ 128,830	$ 116,767
Capital assets, net	2,081	3,217
Other long-term assets	74	-
Total assets	**130,985**	**119,984**
LIABILITIES:		
Current liabilities	74,133	120,171
Noncurrent liabilities	11,527	10,039
Total liabilities	**85,660**	**130,210**
NET POSITION:		
Unrestricted net position	43,244	(13,443)
Net investment in capital assets	2,081	3,217
Total net position	**$ 45,325**	**$ (10,226)**

The Station's total assets increased during fiscal year 2017 from $119,984 to $130,985. The increase in assets is primarily due to an increase in cash from operations.

Liabilities decreased by $44,550 from $130,210 to $85,660 during fiscal year 2017. The decrease is due primarily to forgiveness of prior year lease expenses.

Statement of Revenues, Expenses and Changes in Net Position

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. The purpose of the statement is to present the revenues earned by the Station, both operating and nonoperating, and the expenses incurred by the Station, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the Station.

Generally speaking, operating revenues are earned by providing services to the various customers and constituencies of the Station. Operating expenses are incurred to acquire or produce the services provided in return for operating revenues and to carry out the functions of the Station. Nonoperating revenues are revenues received for which services are not provided.

Summary Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues	$ 387,010	$ 385,406
Operating expenses	391,538	373,827
Operating revenue	**(4,528)**	**11,579**
Nonoperating revenues	60,079	-
Nonoperating revenue	**60,079**	**-**
Increase/(Decrease) in net position	**55,551**	**11,579**
Net position, Beginning of year	(10,226)	(21,805)
Net position, End of year	**$ 45,325**	**$ (10,226)**

Operating revenues increased by $1,604 from $385,406 to $387,010 during fiscal year 2017. The change was primarily due to increased funding from ASISU.

Nonoperating revenues increased by $60,079 due to a one-time event of debt forgiveness.

Operating expenses increased by $17,711 from $373,827 to $391,538 during fiscal year 2017. The change was primarily due to increases in the cost of radio programming.

Statement of Cash Flows

The final statement presented by the Station is the statement of cash flows. This statement presents detailed information about the cash activity of the Station during the year.

Summary Statement of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash provided (used) by:		
Operating activities	$ 10,913	$ 11,056
Net increase in cash	**10,913**	**11,056**
Cash, Beginning of year	104,054	92,998
Cash, End of year	**$ 114,967**	**$ 104,054**

The statement of cash flows in fiscal year 2017 shows that cash flow is essentially the same as the prior year.

Economic Outlook

Revenue streams to KISU FM radio are almost equally divided into thirds, with nearly equal amounts coming from ASISU student fee funding, underwriting from both profits and non-profits…along with “member” or listener donations, and Community Service Grant funding from the Corporation for Public Broadcasting. Despite unanticipated costs for some capital improvements, KISU spending remained within budget parameters.

KISU-FM
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STATEMENT OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$114,967	$104,054
Accounts receivable	15,427	12,435
Allowance for doubtful accounts	(2,081)	(2,084)
Pledges receivable	517	2,362
Total current assets	128,830	116,767
NONCURRENT ASSETS:		
Capital assets, net	2,081	3,217
Other long-term assets	74	-
Total noncurrent assets	2,155	3,217
TOTAL ASSETS	130,985	119,984
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	31	60,079
Wages payable	6,765	12,511
Accrued compensated absences	5,836	5,411
Unearned revenue	61,501	42,170
Total current liabilities	74,133	120,171
NONCURRENT LIABILITIES:		
Other post-employment benefits	11,527	10,039
Total noncurrent liabilities	11,527	10,039
TOTAL LIABILITIES	85,660	130,210
NET POSITION:		
Unrestricted net position	43,244	(13,443)
Net investment in capital assets	2,081	3,217
TOTAL NET POSITION	$ 45,325	$ (10,226)

The Notes to the Financial Statements are an integral part of this Statement

KISU-FM
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Contributions	$ 123,785	$ 124,502
Grants from CPB	94,755	95,637
Donations	37,877	43,205
Support from Idaho State Education System		
Associated Students of Idaho State University	130,593	122,062
Total operating revenues	387,010	385,406
OPERATING EXPENSES		
Programming and production	78,811	108,686
Broadcasting and engineering	87,033	35,400
Program information and promotion	11,897	2,422
Management and general	166,049	182,234
Fundraising and membership development	-	699
Underwriting and grant solicitation	46,612	43,250
Depreciation and amortization	1,136	1,136
Total operating expenses	391,538	373,827
OPERATING INCOME (LOSS)	(4,528)	11,579
NONOPERATING REVENUES		
Forgiveness of debt	60,079	-
Total nonoperating revenues	60,079	-
CHANGE IN NET POSITION	55,551	11,579
NET POSITION, Beginnning of year	(10,226)	(21,805)
NET POSITION, End of year	$ 45,325	$ (10,226)

The Notes to the Financial Statements are an integral part of this Statement

KISU-FM
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STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
ASISU support	$ 130,593	$122,062
Community service grants	114,086	115,006
Other operating revenues (contributions)	122,635	122,086
Donations	37,877	43,205
Payments to suppliers for goods and services	(189,308)	(194,305)
Payments to employees for services	(204,970)	(196,998)
Net cash provided (used) by operating activities	**10,913**	**11,056**
NET INCREASE (DECREASE) IN CASH	**10,913**	**11,056**
CASH, BEGINNING OF THE YEAR	104,054	92,998
CASH, END OF THE YEAR	**$ 114,967**	**$104,054**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income/(loss)	(4,528)	11,579
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVTIES:		
Depreciation expense	1,136	1,136
Forgiveness of debt	60,079	-
CHANGES IN ASSETS AND LIABILITIES:		
Accounts receivable, net	(2,992)	(1,732)
Bad debt expense	(3)	1,243
Pledges receivable	1,845	(1,927)
Other long-term assets	(74)	9
Accounts payable	(60,048)	(19,022)
Wages payable	(5,746)	908
Compensated absences	425	(1,291)
Unearned revenue	19,331	19,369
Other post-employment benefits	1,488	784
Net cash flows provided by operating activities	$ 10,913	$ 11,056

The Notes to the Financial Statements are an integral part of this Statement

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. *Organization.* KISU-FM (the Station) is operated by the Idaho University System, which is controlled by the Idaho State Board of Education. The Station is a not-for-profit public radio station operating from the campus of Idaho State University. KISU operates with three funds at ISU. This audit of KISU's financial statements does not represent the entire financials of ISU. Currently, KISU services the Pocatello and Idaho Falls areas and parts of Idaho that are within the KISU reception area. The Station relies on grants, university support and public contributions.

2. *Financial Statement Presentation.* The Station's financial statements are presented in accordance with the requirements of the Government Accounting Standards Board.

3. *Basis of Accounting.* For financial reporting purposes, the Station is considered a special program of the Associated Students of Idaho State University (ASISU) 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 in accordance with Generally Accepted Accounting Principles ("GAAP"). Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

4. *Use of Accounting 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 the reported amounts 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. Accordingly, actual results could differ from those estimates.

5. *Cash and Cash Equivalents.* The Station considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent fiscal year are classified as noncurrent assets.

6. *Accounts Receivable, Net.* Accounts receivable consists of underwriting, membership and restricted grant expenditures that have been incurred but not yet reimbursed. Receivables are shown net of allowance and are expected to be collected within the next fiscal year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. *Capital Assets, Net.* Capital assets with a cost, or donated assets with an estimated fair market value on the date of receipt, of $5,000 or more and an estimated useful life of more than one year are capitalized. As of July 1, 2010, intangible assets with a cost, or donated assets with an estimated fair market value on the date of receipt, of $200,000 or more and an estimated useful life of more than one year are capitalized.

   Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 13 years for equipment. Depreciation is reported as a management and general expense in the statement of revenues, expenses and changes in net position. Depreciation expense recognized was $1,136 and $1,136 in 2017 and 2016, respectively.

8. *Compensated Absences.* Employees' compensated absences are accrued when earned. The obligation and expenditure incurred during the year are recorded as accrued compensated absences in the statement of net position and as a component of management and general in the statement of revenues, expenses and changes in net position. Upon termination, the employee is paid the accumulated vacation leave. Amounts recorded as accrued compensated absences include employer benefits.

9. *Other Post-Employment Benefits (OPEB).* The University participates in other post-employment benefit plans relating to health and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. The life insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establish the benefits and contribution obligations. Each of these benefits is provided by the University to retired or disabled employees. The most recent actuarial valuation is as of July 1, 2016. The University has not set aside any assets to pay future benefits; the University funds these benefits on a pay-as-you-go basis. Details of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained from the Office of the Idaho State Controller, 700 W State Street, 4th Floor, P.O. Box 83720, Boise, ID 83720-0011 www.sco.idaho.gov.

   For full OPEB note disclosure, please refer to Note 12 in the University's financial statements. Since the station is a component unit of the University, the assets and liabilities of the station are the assets and liabilities of the University. The University's financial statements can be found at http://www.isu.edu/finserv/finreporting.shtml.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

10. *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. 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. The Station had no outstanding debt for the years ended June 30, 2017 and 2016, respectively.

    Restricted net position: The component of net position that reports the constraints placed on the use of net position by either external parties or enabling legislation. The Station had no restricted assets for the years ended June 30, 2017 and 2016, respectively.

    Unrestricted net position: The difference between the assets and liabilities that is not reported in net investment in capital assets and restricted assets.

    It is the Station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

11. *Classification of Activities.* The Station has classified its revenues as either operating or nonoperating.

    Operating revenues: Operating revenues generally result from donations from the general public and underwriting of broadcast programs. Operating revenues include (1) operating grants from the Corporation for Public Broadcasting (CPB), (2) contributions from semi-annual fund drives, (3) in-kind contributions, (4) support from ASISU, and (5) underwriting.

    Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue resources that are defined as nonoperating revenues by GASB No. 9, *"Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting"*, and GASB Statement No. 34, such as state general appropriations and investment income.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

12. *Community Service Grants.* The CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. 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 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.

    The grants received by the Station are broken out into a restricted and unrestricted portion based on a percentage identified by CPB. The unrestricted portion of the grants may be used at the discretion of the recipients. The Station uses these funds primarily for purposes relating to production and programming. Also, the grants may be used to sustain activities initiated with CSGs awarded in prior years.

    Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists and licensee status with the Federal Communications Commission. The grants are reported in the accompanying financial statements as unrestricted operating revenues.

13. *Pledges Receivable.* Pledges receivable are monies received from the Station's annual fund drives and other individual donations received throughout the year. The Station records pledges receivable at their fair value and discounts pledges to their net present value based on current market interest rates and the expected payment schedule set out by the donor. Subsequent changes to the discount on pledges are recognized as income, either restricted or unrestricted, as appropriate. At the current time there are no pledges receivable that are greater than one year and management believes all pledges receivable are collectible.

14. *Tax Status.* As a state institution of higher education, the income of the Station is exempt from federal and state income tax under Internal Revenue Code Section 115. However, income generated from activities not related to the exempt purpose would be subject to income tax under Internal Revenue Code Section 511(a)(2)(B).

NOTE B – CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2017 and 2016.

	2017				
	Balance July 1, 2016	Additions	Deletions	Transfers and Other Changes	Balance June 30, 2017
Capital assets:					
Furniture, fixtures and equipment	$ 83,009	$ -	$ -	$ -	$ 83,009
Total capital assets	83,009	-	-	-	83,009
Less accumulated depreciation:					
Furniture, fixtures and equipment	(79,792)	(1,136)			(80,928)
Total accumulated depreciation	(79,792)	(1,136)	-	-	(80,928)
Capital assets, net	$ 3,217	$ (1,136)	$ -	$ -	$ 2,081

	2016				
	Balance July 1, 2015	Additions	Deletions	Transfers and Other Changes	Balance June 30, 2016
Capital assets:					
Furniture, fixtures and equipment	$ 83,009	$ -	$ -	$ -	$ 83,009
Total capital assets	83,009	-	-	-	83,009
Less accumulated depreciation:					
Furniture, fixtures and equipment	(78,656)	(1,136)			(79,792)
Total accumulated depreciation	(78,656)	(1,136)	-	-	(79,792)
Capital assets, net	$ 4,353	$ (1,136)	$ -	$ -	$ 3,217

NOTE C – OPTIONAL RETIREMENT PLANS

Effective July 1, 1990, the Idaho State Legislature authorized the Idaho State Board of Education to establish an Optional Retirement Plan (ORP), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of the total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by, and may be amended by, the State of Idaho.

New faculty and exempt employees hired on or after July 1, 1990, automatically enroll in the ORP and select a vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options in the ORP include the *Teachers Insurance and Annuity Association - College Retirement Equities Fund* and the *Variable Annuity Life Insurance Company*.

Participants are immediately fully vested in the ORP. Retirement benefits are available as either a lump sum or any portion thereof upon attaining 55 years of age.

Contributions to the ORP are as follows:

	2017	2016	2015
KISU contributions paid	$ 9,114	$ 8,567	$ 8,559
Employee contributions	$ 6,864	$ 6,452	$ 6,344
Total contributions	$ 15,978	$ 15,019	$ 14,903
KISU contribution rate	9.27%	9.27%	9.00%
Employee contribution rate	6.98%	6.98%	7.00%

Although enrollees in the ORP no longer belong to PERSI, KISU is required to contribute a percentage of the annual covered payroll to PERSI. Effective July 1, 2007, the percentage was changed from 3.03% to 1.49%, allowing the difference of 1.54% to be used to increase the University's contribution to ORP retirement accounts. In addition, the payoff period of PERSI's unfunded liability obligation was extended from July 1, 2015, to July 1, 2025. During the years ended June 30, 2017 and 2016, supplemental funding payments to PERSI were $1,467 and $1,379, respectively. These amounts are not included in the regular KISU ORP contribution in the table above.

Supplemental Retirement Plans – Full and part time benefited faculty and professional staff enrolled in the ORP as their regular retirement plan may enroll in the 403(b) and the 457(b) plans. It should be noted that KISU currently has two benefited employees.

457(b) – Deferred Compensation Plan:
The 457(b) is a voluntary retirement savings plan covered under Section 457(b) of the Internal Revenue Code. All KISU employees are eligible to participate in this plan. The plan is funded exclusively through employee pre-tax contributions.

403(b) Plan:
The 403(b) is a voluntary tax-sheltered retirement plan covered under Section 403(b) of the Internal Revenue Code. All KISU employees are eligible to participate in this plan. The plan is funded exclusively by employee pre-tax contributions.

Roth 403(b) Plan:
The Roth 403(b) is a voluntary retirement savings plan covered under Section 403(b) of the Internal Revenue Code. All KISU employees are eligible to participate in this plan. The plan is funded exclusively by employee post-tax contributions.

Termination Payments – Employees who qualify for retirement under ORP are eligible to use 50% of the cash value of their unused sick leave to continue their medical insurance coverage through the University. The University partially funds these obligations by depositing 0.65% of employee gross payroll to PERSI, who administers the plan for all participating ISU employees and retirees under a trust fund. The total contributions for the years ended June 30, 2017 and 2016 were $640 and $602, respectively.

Pension Liability – There is no pension liability for KISU since the ORP is a defined contribution plan and contributions are paid in full annually. However, as mentioned earlier in this note, the ORP does pay a percentage (1.49%) to PERSI to help cover PERSI's defined benefit pension liability. This pension liability is completely owned by the PERSI defined benefit plan and is not, in any way, attributed to the ORP defined contribution plan.

NOTE D - RELATED PARTY TRANSACTIONS

The Idaho State University Foundation (the "Foundation") was established for the purpose of soliciting donations to hold for the exclusive benefit of Idaho State University, which includes the Station. In fiscal year 2017, the Station received $37,877 from the Foundation. This amount is included in operating revenues.

NOTE E – UNEARNED REVENUE

Cash advances received through community service grants from the Corporation for Public Broadcasting are recorded as unearned revenue when received and revenues are recognized when expenditures of the grant funds are incurred.

NOTE F – ACCOUNTING FOR LEASES

In 2016, KISU entered into a ten year lease agreement with Idaho Wireless Corp. for building and radio tower space under a noncancelable operating lease. Total costs for such lease was $19,186 for the year ended June 30, 2017. Additionally, KISU entered into a one-year lease agreement with Teton Communications Inc. for building and radio tower space under a noncancelable operating lease for fiscal year 2018.

Future minimum lease payments at June 30, 2017, are as follows:

Fiscal Years		Payments
2018	$	28,242
2019		19,083
2020		19,656
2021		20,246
2022		20,853
2023-2026		89,859
Totals	$	197,939

NOTE G – CONCENTRATIONS AND CONTINGENCIES

The Station operates its programs with aid of funding primarily from (1) CPB CSG grants, (2) support from the Idaho University System, (3) public contributions and (4) underwriting. A major reduction in the level of support from any of these funding sources could have a negative impact on the Station's ability to maintain its current programs.

The Station must use its CSGs within a two year grant period. Any unexpended funds must be returned to CPB. Although it is a possibility that the funds could not be spent within the grant period, the Station's management deems the contingency remote.

NOTE H – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2017. This analysis has been performed through November 21, 2017.

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DEATON & COMPANY

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

To Management
KISU-FM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KISU-FM for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise KISU-FM's basic financial statements and have issued our report thereon dated November 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KISU-FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KISU-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of the KISU-FM'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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KISU-FM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [2017-001].

KISU-FM's Response to Findings

KISU-FM's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. KISU-FM's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Deaton & Company

Pocatello, ID
November 21, 2017

KISU-FM RADIO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Findings of Noncompliance with Grants

2017-001 *Criteria:* The Corporation for Public Broadcasting provides a Radio Community Service Grant to KISU-FM Radio. KISU-FM Radio is a Level C recipient. As a Level C recipient KISU-FM must raise fund locally in order to be eligible for Corporation for Public Broadcasting (CPB) funding. As a level C recipient KISU FM radio must have $300,000 of non-Federal financial support (NFFS).

Condition : KISU-FM Radio did not have $300,000 of NFFS for the fiscal year ending June 30, 2017.

Cause KISU-FM Radio's local support did not meet the minimum NFFS for the year ending June 30, 2017.

Effect : KISU-FM Radio is placed in a transition path that will lead to the Grantee's eventual removal from the Community Service Grant program should it continue to fail to meet the minimum NFFS.

Management Response

KISU FM Management is aware of the shortfall of NFFS funding and acknowledges it will occur again in the FY2017 Financial Report. Aggressive steps are being taken to resolve the situation in the 2018 report, assuring KISU's grant qualification status.

KISU-FM RADIO
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Findings of Significant Deficiencies and Responses

2016-001 *Criteria:* The Corporation for Public Broadcasting provides a Radio Community Service Grant to KISU-FM Radio. KISU-FM Radio is a Level C recipient. As a Level C recipient KISU-FM must comply with the Level C grantee requirements.

Condition : KISU-FM Radio did not identify its Community Service Grant Level to ensure compliance with all grantee requirements.

Current Status: This finding has been resolved.

Findings of Noncompliance with Grants

2016-002 *Criteria:* The Corporation for Public Broadcasting provides a Radio Community Service Grant to KISU-FM Radio. KISU-FM Radio is a Level C recipient. As a Level C recipient KISU-FM must have a staff of four full time employees. Staff used to fulfill the staffing requirements are not to be funded by Radio Community Service Grant funds.

Condition : KISU-FM Radio used Radio Community Service Grant funds to pay for staff who are counted towards fulfilling the staffing requirements of a Level C recipient.

Current Status: This finding has been resolved.

2016-003 *Criteria:* As a Radio Community Service grantee KISU-FM Radio must comply with the *Radio Community Service Grant General Provisions and Eligibility Criteria* terms and conditions document. This document requires discrete accounting. Discrete accounting is the use of unique accounting codes by CSG recipients to identify CSG funds - both revenues and expenses, restricted and unrestricted - so both CPB and an auditor can discretely track those funds within the recipient's accounting system.

Condition : KISU-FM Radio has a separate fund to track CSG funds. However, the fund used does not have unique codes to identify the restricted portion of the grant revenues and expenses.

Current Status: This finding has been resolved.