



**TEXAS TECH PUBLIC MEDIA  
(A Public Telecommunications Entity  
Licensed to Texas Tech University)**

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
Financial Statements:	
Statements of Net Position .....	6
Statements of Revenues, Expenses and Changes in Net Position .....	7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9
Required Supplementary Information:	
Schedule of Texas Tech Public Media's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas .....	23
Schedule of Texas Tech Public Media's Contributions – Teacher Retirement System of Texas .....	24
Notes to Required Supplementary Information .....	25
Supplemental Information:	
Combining Statements of Net Position .....	26
Combining Statements of Revenues, Expenses and Changes in Net Position .....	27
Combining Statements of Cash Flows .....	28



## INDEPENDENT AUDITOR'S REPORT

Texas Tech University System Board of Regents  
Lubbock, Texas:

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

We have audited the accompanying financial statements of Texas Tech Public Media (A Public Telecommunications Entity Licensed to Texas Tech University) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Texas Tech Public Media'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 Texas Tech Public Media as of August 31, 2017, and the changes 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.

## **Adjustments to Prior Period Financial Statements**

The financial statements of Texas Tech Public Media as of and for the year ended August 31, 2016, were audited by Davis Kinard & Co, PC, who joined Eide Bailly LLP on December 4, 2017, and whose report dated February 13, 2017, expressed an unmodified opinion on those statements. As discussed in Note 8 to the financial statements, certain errors resulting in understatement of amounts previously reported for promises to give and contributions as of August 31, 2016, were discovered by management of Texas Tech Public Media during the current year. Accordingly, the 2016 financial statements have been restated to correct this error. Davis Kinard & Co, PC reported on the 2016 financial statements before the restatement.

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2016 financial statements of Texas Tech Public Media other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information as listed in the table of contents on pages 3 through 5 and pages 23 through 25 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Texas Tech Public Media's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Abilene, Texas  
March 14, 2018

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of Texas Tech Public Media for the years ended August 31, 2017 and 2016. Management of Texas Tech Public Media has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

Texas Tech Public Media is a licensee of Texas Tech University (the University) and is governed by the University's Board of Regents. Texas Tech Public Media's primary functions are to establish and promote noncommercial educational telecommunications facilities in the South Plains area of Texas and Eastern New Mexico as well as the Concho Valley area of Texas. Texas Tech Public Media includes a television station and two radio stations.

Television

Texas Tech University is the licensee of the only public television station in Lubbock – KTTZ-TV. This station primarily broadcasts PBS programming, including at least 50 hours of children's programming each week. The signal reaches over 396,000 potential viewers in 158,360 television households in the South Plains area of Texas and Eastern New Mexico, and out of that number approximately 35,000 households watch each week. Contributing membership consists of approximately 1,200 households.

Radio

The original radio station – KTTZ-FM – was founded in 1988 and now broadcasts 24 hours daily, serving over 21,000 listeners per week with an approximate 60-mile coverage radius from Lubbock, Texas. In 2007, the station became the first HD radio station in the South Plains area and began streaming two additional music channels. This important upgrade has provided the station the opportunity to multicast by adding more stations to its existing frequency.

In July 2010, Texas Tech University purchased KUTX-FM in San Angelo from The University of Texas. The call letters were changed to KNCH-FM, and the operations were transferred to Texas Tech Public Media.

**Overview of the Financial Statements**

The financial statements of Texas Tech Public Media consist of the Statements of Net Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board Statement (GASBS) No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.

GASBS 35 requires the classification of net position into three categories – investment in capital assets, restricted, and unrestricted.

The Statements of Net Position include assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of Texas Tech Public Media as of August 31, 2017 and 2016. These statements are classified into current and non-current assets and liabilities, with net position classified in the categories as noted above. The Statements of Revenues, Expenses and Changes in Net Position depict the operating revenues and expenses resulting in net operating income, which is then combined with non-operating revenues to provide the total change in net position. The Statements of Cash Flows show the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**TEXAS TECH PUBLIC MEDIA**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**Financial Highlights**

The financial position of Texas Tech Public Media remains strong. Net position totaled \$2,601,446, \$3,241,415 and \$3,547,909 at August 31, 2017, 2016 and 2015, respectively. Net position decreased by \$639,969 and \$306,494 at August 31, 2017 and 2016, respectively. Operating revenues totaled \$2,646,237 for fiscal year 2017 compared to \$2,914,103 for fiscal year 2016 and \$3,287,169 for fiscal year 2015, a decrease of \$267,866 and \$373,066 at August 31, 2017 and 2016, respectively. Operating expenses totaled \$3,287,660 for fiscal year 2017 compared to \$3,233,143 for fiscal year 2016 and \$3,173,717 for fiscal year 2015, an increase of \$54,517 and \$59,426 at August 31, 2017 and 2016, respectively. Non-operating revenue includes interest income and loss on disposal of assets.

Texas Tech Public Media's capital assets, net of accumulated depreciation, totaled \$1,245,508 and \$1,253,929 at August 31, 2017 and 2016, respectively. Capital asset additions totaled \$240,424 and \$46,559 in fiscal year 2017 and 2016, respectively.

**Condensed Statements of Net Position**

	2017	2016	2015
Current assets	\$ 2,563,002	\$ 2,803,644	\$ 2,854,774
Capital assets, net	1,245,508	1,253,929	1,561,342
Total assets	<u>3,808,510</u>	<u>4,057,573</u>	<u>4,416,116</u>
Deferred outflows of resources	<u>234,556</u>	<u>76,901</u>	<u>58,905</u>
Current liabilities	473,876	90,479	167,149
Noncurrent liabilities	858,733	676,620	620,157
Total liabilities	<u>1,332,609</u>	<u>767,099</u>	<u>787,306</u>
Deferred inflows of resources	<u>109,011</u>	<u>125,960</u>	<u>139,806</u>
Investment in capital assets	1,245,508	1,253,929	1,561,342
Restricted expendable	79,185	193,615	329,433
Unrestricted	1,276,753	1,793,871	1,657,134
Total net position	<u>\$ 2,601,446</u>	<u>\$ 3,241,415</u>	<u>\$ 3,547,909</u>

Current assets consist primarily of cash and accounts receivable. Capital assets are presented net of accumulated depreciation of \$6,014,880, \$5,839,867 and \$5,813,685 at August 31, 2017, 2016 and 2015, respectively. Current liabilities consist of accounts payable and unearned revenue.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	2017	2016	2015
Operating revenues	\$ 2,646,237	\$ 2,914,103	\$ 3,287,169
Operating expenses	<u>3,287,660</u>	<u>3,233,143</u>	<u>3,173,717</u>
Operating income (loss)	(641,423)	(319,040)	113,452
Non-operating revenue	<u>1,454</u>	<u>12,546</u>	<u>13,204</u>
Change in net position	(639,969)	(306,494)	126,656
Net position, beginning of year	<u>3,241,415</u>	<u>3,547,909</u>	<u>3,421,253</u>
Net position, end of year	<u><u>\$ 2,601,446</u></u>	<u><u>\$ 3,241,415</u></u>	<u><u>\$ 3,547,909</u></u>

Operating revenues consist primarily of contributions, grants from the Corporation for Public Broadcasting, and donated support from Texas Tech University. Operating expenses consist primarily of programming and production and broadcasting expenses.

**Condensed Statements of Cash Flows**

	2017	2016	2015
Net cash flows from operating activities	\$ (333,207)	\$ (6,859)	\$ 404,897
Net cash flows from capital and related financing activities	(240,424)	(46,559)	(159,806)
Net cash flows from investing activities	<u>4,386</u>	<u>12,546</u>	<u>13,204</u>
Change in cash and cash equivalents	(569,245)	(40,872)	258,295
Cash and cash equivalents, beginning of year	<u>2,615,006</u>	<u>2,655,878</u>	<u>2,397,583</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,045,761</u></u>	<u><u>\$ 2,615,006</u></u>	<u><u>\$ 2,655,878</u></u>

**Request for Information**

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of Texas Tech Public Media's finances and to account for the funding it receives. Additional details can be requested by mail at the following address:

General Manager  
Texas Tech Public Media  
P.O. Box 42161  
Lubbock, TX 79409

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2017 AND 2016**

	2017	2016 (as restated)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,966,576	\$ 2,421,391
Restricted cash and cash equivalents	79,185	193,615
Accounts receivable	75,922	85,494
Promises to give, net	35,539	29,808
Licensed program rights	327,380	-
Prepaid items	78,400	73,336
Total current assets	<u>2,563,002</u>	<u>2,803,644</u>
Capital assets, at cost		
Building	623,700	623,700
Transmitter, antenna and tower	2,206,643	2,216,685
Broadcasting and production equipment	4,329,032	4,152,398
Furniture and fixtures	101,013	101,013
	<u>7,260,388</u>	<u>7,093,796</u>
Less: Accumulated depreciation	<u>(6,014,880)</u>	<u>(5,839,867)</u>
Capital assets, net	<u>1,245,508</u>	<u>1,253,929</u>
Total assets	<u>3,808,510</u>	<u>4,057,573</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - Pension	234,556	76,901
Total deferred outflows of resources	<u>234,556</u>	<u>76,901</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	19,016	13,302
Licensed program liability	386,097	-
Unearned revenue	68,763	77,177
Total current liabilities	<u>473,876</u>	<u>90,479</u>
Noncurrent liabilities		
Net pension liability	858,733	676,620
Total liabilities	<u>1,332,609</u>	<u>767,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - Pension	109,011	125,960
Total deferred inflows of resources	<u>109,011</u>	<u>125,960</u>
<b>NET POSITION</b>		
Investment in capital assets	1,245,508	1,253,929
Restricted expendable - programming and production	79,185	193,615
Unrestricted	1,276,753	1,793,871
Total net position	<u>\$ 2,601,446</u>	<u>\$ 3,241,415</u>

The accompanying notes are an integral part of these financial statements.



**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016 (as restated)</u>
<b>OPERATING REVENUES</b>		
Contributions	\$ 278,177	\$ 219,915
Grants from the Corporation for Public Broadcasting	930,373	856,360
Federal grants	-	14,353
Donated support from Texas Tech University		
Direct administrative support	615,071	653,482
Indirect administrative support	258,413	251,699
Donated materials and services	1,000	1,000
Other grants	99,128	417,982
Business contributions and underwriting	428,057	447,628
Miscellaneous income	36,018	51,684
Total operating revenues	<u>2,646,237</u>	<u>2,914,103</u>
<b>OPERATING EXPENSES</b>		
Program services		
Programming and production	1,260,361	1,046,203
Broadcasting	642,492	781,729
Program information	279,830	299,476
	<u>2,182,683</u>	<u>2,127,408</u>
Supporting services		
Management and general	839,730	816,306
Fund raising and membership development	252,429	260,739
Underwriting and grant solicitation	12,818	28,690
	<u>1,104,977</u>	<u>1,105,735</u>
Total operating expenses	<u>3,287,660</u>	<u>3,233,143</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(641,423)</b>	<b>(319,040)</b>
<b>NON-OPERATING REVENUE/(EXPENSE)</b>		
(Loss) on disposal of assets	(2,932)	-
Interest income	4,386	12,546
Tot non-operating revenue	<u>1,454</u>	<u>12,546</u>
<b>CHANGE IN NET POSITION</b>	<b>(639,969)</b>	<b>(306,494)</b>
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u><b>3,241,415</b></u>	<u><b>3,547,909</b></u>
<b>NET POSITION, END OF YEAR</b>	<u><u><b>\$ 2,601,446</b></u></u>	<u><u><b>\$ 3,241,415</b></u></u>

The accompanying notes are an integral part of these financial statements.

**TEXAS TECH PUBLIC MEDIA**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>2017</u>	<u>2016 (as restated)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from contributors, grants, and underwriters	\$ 2,638,307	\$ 2,902,153
Other receipts	3,357	7,157
Payments to employees	(1,095,985)	(1,075,420)
Payments to suppliers	(1,484,801)	(1,611,335)
Payments for employee benefits	(394,085)	(229,414)
Net cash used in operating activities	<u>(333,207)</u>	<u>(6,859)</u>
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(240,424)	(46,559)
Net cash used in capital and related financing activities	<u>(240,424)</u>	<u>(46,559)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on cash and cash equivalents	4,386	12,546
Net cash provided by investing activities	<u>4,386</u>	<u>12,546</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(569,245)	(40,872)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,615,006</u>	<u>2,655,878</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,045,761</u>	<u>\$ 2,615,006</u>
<b>Reconciliation of operating loss to net cash flows from operating activities</b>		
Operating loss	\$ (641,423)	\$ (319,040)
Adjustments to reconcile income from operations to net cash used in operating activities:		
Depreciation	245,913	353,972
Pension expense	182,113	56,463
Net change in:		
Accounts receivable	9,572	25,933
Promises to give	(5,731)	(4,900)
Prepaid items	(5,064)	(10,775)
Licensed program rights	(327,380)	-
Deferred outflows of resources	(157,655)	(17,996)
Accounts payable and accrued liabilities	5,714	(50,844)
Licensed program liability	386,097	-
Unearned revenue	(8,414)	(25,826)
Deferred inflows of resources	(16,949)	(13,846)
Total adjustments	<u>308,216</u>	<u>312,181</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (333,207)</u>	<u>\$ (6,859)</u>
<b>NON-CASH TRANSACTIONS</b>		
Loss on disposal of assets	\$ (2,932)	\$ -

The accompanying notes are an integral part of these financial statements.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: *NATURE OF ORGANIZATION***

**Organization**

Texas Tech Public Media is a public telecommunications entity licensed through the Federal Communications Commission to Texas Tech University in Lubbock, Texas and provides public television and radio to the South Plains area of Texas and Eastern New Mexico as well as the Concho Valley area of Texas. Accordingly, Texas Tech Public Media's financial activity is incorporated into the financial statements of the University, which is included in the Comprehensive Annual Financial Report of the State of Texas. The University is a state-supported school, created by the Legislature of the State of Texas. As such, it is a subdivision of the State of Texas and is tax-exempt under Section 115 of the Internal Revenue Code.

**NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Basis of Accounting**

Texas Tech Public Media's financial records are maintained in a manner consistent with guidelines set by the Corporation for Public Broadcasting (CPB). These guidelines are in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The University adopted GASB Statement (GASBS) No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASBS 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus and GASBS No. 38, Certain Financial Statement Note Disclosures. Accordingly, Texas Tech Public Media has been required to comply with certain provisions of these statements that establish standards for external reporting for state and local governments and require that resources be classified for accounting and reporting purposes in the following four net position categories:

- Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable – Net position subject to externally imposed stipulations that Texas Tech Public Media maintains permanently. Texas Tech Public Media does not have any restricted nonexpendable net position.
  - Expendable – Net position whose use by Texas Tech Public Media is subject to externally imposed stipulations that can be fulfilled by actions of Texas Tech Public Media pursuant to those stipulations or that expire by the passage of time. Restricted net position was \$79,185 and \$193,615 as of August 31, 2017 and 2016, respectively.
- Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of Texas Tech Public Media's management or may otherwise be limited by contractual agreements with outside parties.

Texas Tech Public Media uses enterprise fund accounting and financial reporting as a business activity. Activities are reported similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by Texas Tech Public Media are described below.

**TEXAS TECH PUBLIC MEDIA**  
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**NOTES TO FINANCIAL STATEMENTS**

NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Revenue Recognition

Contributions and grants that are unrestricted are recorded as support when the cash is received. Contributions from local businesses and individuals to finance specific programs are recorded and reported on the statement of net position as unearned revenues until the programs are broadcast. Pledges for future contributions are recorded in the period that the unconditional pledge is received. Texas Tech Public Media distinguishes *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from activities performed in connection with Texas Tech Public Media's purpose as stated above. All revenues and expenses not meeting this definition are reported as non-operating.

Grants received from the CPB are recorded as revenue when the funds are received. Contributions and grants restricted for specific uses are reported on the accompanying statement of net position as restricted net position until the funds are expended.

When both restricted and unrestricted resources are available for use, it is Texas Tech Public Media's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounts Receivable

Accounts receivable consist of uncollected pledged contributions from local businesses and individuals to finance specific programs, as well as restricted grant funds and underwriting funds uncollected at year-end. All amounts considered uncollectible have been written off or allowed for.

Promises to Give

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges are due in less than one year and are used for the operations of Texas Tech Public Media.

Capital Assets

Capital asset is defined as an asset with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are carried at cost, or in the case of donated assets, at estimated acquisition value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When property and equipment are retired or otherwise disposed of, the carrying value and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the period. For capital assets acquired through federally funded grants, the respective federal agency retains liens on these assets for a period of ten years. At August 31, 2017 and 2016, the net book value of this property was \$0 and \$51,097, respectively.

In-kind Contributions

In-kind contributions are recorded as support and expense in the accompanying financial statements. In-kind contributions consist of various materials, property, and professional services donated for the benefit of Texas Tech Public Media. These donations are recorded at fair value. The CPB does not consider the personal services of volunteers in their determination of nonfederal financial support; therefore, these services are excluded from the financial statements.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Donated facilities and administrative support have been computed in accordance with guidelines established by the CPB and consist of the following for the years ended August 31, 2017 and 2016:

	2017	2016
Direct administrative support	\$ 615,071	\$ 653,482
Institutional support	232,174	223,311
Physical plant operations	12,855	14,004
Occupancy	14,384	14,384
	<u>\$ 874,484</u>	<u>\$ 905,181</u>

Cash and Cash Equivalents

Texas Tech Public Media's cash is held by the University in a pooled cash account that is managed by the University.

The carrying amount of deposits as of August 31, 2017 and August 31, 2016 was \$2,045,761 and \$2,615,006, respectively, as presented below:

	2017	2016
Cash in bank, including restricted cash	\$ 2,045,761	\$ 2,615,006

These amounts consist of all cash in local banks and are included on the Statement of Net Position as part of current unrestricted and current restricted cash.

All of Texas Tech Public Media's deposits in excess of FDIC limits are fully collateralized. The collateral is held in the Texas Tech University System's name by the pledging institution's agent. Texas Tech Public Media also has no foreign currency risk on deposits.

Licensed Program Rights and Liabilities

Texas Tech Public Media purchases certain programming rights for one year licensing periods. The costs of these rights are amortized to expense on a monthly basis over the remaining term of the licensing period.

Additionally, Texas Tech Public Media records a liability for amounts due for subscriptions of licensing periods that have not been paid.

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 the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3: CORPORATION FOR PUBLIC BROADCASTING COMMUNITY SERVICE GRANTS**

The CPB is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. The CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities 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). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun 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.

**NOTE 4: PROMISES TO GIVE**

Unconditional promises to give as of August 31, 2017 and 2016 are as follows:

	August 31,	
	2017	2016
Promises to give expected to be collected in:		
Less than one year	\$ 37,363	\$ 32,634
Less: Allowance for uncollectible promises to give	(1,824)	(2,826)
	<u>\$ 35,539</u>	<u>\$ 29,808</u>

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity and useful lives of assets for the years ended August 31, 2017 and 2016 are summarized below:

	Life	Balance August 31, 2016	Additions	Retirements	Balance August 31, 2017
Building	40 yrs	\$ 623,700	\$ -	\$ -	\$ 623,700
Tower, transmitter and antenna equipment	10-20 yrs	2,216,685	-	(10,042)	2,206,643
Broadcasting and production equipment	3-10 yrs	4,152,398	240,424	(63,790)	4,329,032
Furniture and fixtures	3-10 yrs	101,013	-	-	101,013
Depreciable assets, at cost		7,093,796	240,424	(73,832)	7,260,388
Accumulated depreciation		(5,839,867)	(245,913)	70,900	(6,014,880)
Depreciable assets, net		<u>\$ 1,253,929</u>	<u>\$ (5,489)</u>	<u>\$ (2,932)</u>	<u>\$ 1,245,508</u>

  

	Life	Balance August 31, 2015	Additions	Retirements	Balance August 31, 2016
Building	40 yrs	\$ 623,700	\$ -	\$ -	\$ 623,700
Tower, transmitter and antenna equipment	10-20 yrs	2,473,420	-	(256,735)	2,216,685
Broadcasting and production equipment	3-10 yrs	4,175,859	46,559	(70,020)	4,152,398
Furniture and fixtures	3-10 yrs	102,048	-	(1,035)	101,013
Depreciable assets, at cost		7,375,027	46,559	(327,790)	7,093,796
Accumulated depreciation		(5,813,685)	(353,972)	327,790	(5,839,867)
Depreciable assets, net		<u>\$ 1,561,342</u>	<u>\$ (307,413)</u>	<u>\$ -</u>	<u>\$ 1,253,929</u>

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: *DEFINED BENEFIT PENSION PLAN***

*Plan Description* – Texas Tech Public Media participates in the University’s pension plan which is a cost-sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System (TRS). TRS’s defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) as of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 are covered by the system.

*Pension Plan Fiduciary Net Position* – Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf) or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

*Benefits Provided* – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

*Contributions* – Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.



**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2016	2017
Member	7.20%	7.20%
Employers	6.80%	6.70%
Member Contributions	\$ 63,106	\$ 64,003
Employer Contributions	\$ 64,048	\$ 73,360

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. However, the State of Texas does not make contributions on-behalf of institutions of higher education, including Texas Tech Public Media. Employers including public schools are required to pay the state contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 day of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old Age, Survivor and Disability Insurance Program (OASDI) for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

*Actuarial Assumptions* – The total pension liability in the August 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Asset Valuation Method	Market Value	Market Value
Single Discount Rate	8.00%	8.00%
Long-term Expected Investment Rate of Return	8.00%	8.00%
Municipal Bond Rate *	N/A	N/A
Last year ending August 31 in the projection period (100 years)	2115	2114
Inflation	2.50%	2.50%
Salary Increases, Including Inflation	3.50% to 9.50%	3.50% to 9.50%
Benefit Changes During Year	None	None
Ad Hoc Post-Employment Benefit Changes	None	None

\* If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

*Discount Rate* – The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 and 2015 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return *</u>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
<b>Total</b>	<u>100.0%</u>		<u>8.7%</u>

*\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

*Discount Rate Sensitivity Analysis* – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Total TRS net pension liability	\$ 58,483,888,620	\$ 37,788,513,014	\$ 20,234,650,980
Texas Tech Public Media's proportionate share of the net pension liability	\$ 1,329,029	\$ 858,733	\$ 459,827

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Total TRS net pension liability	\$ 55,384,701,778	\$ 35,348,668,960	\$ 18,659,898,872
Texas Tech Public Media's proportionate share of the net pension liability	\$ 1,060,119	\$ 676,620	\$ 357,169

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At August 31, 2017 and 2016, Texas Tech Public Media reported a liability of \$858,733 and \$676,620, respectively, for its proportionate share of the TRS's net pension liability measured at August 31, 2016 and 2015, respectively.

The 2017 net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

The 2016 net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2016 the employer's proportion of the collective net pension liability was .000022725 which is an increase of 0.000003584 from its proportion measured as of August 31, 2015.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

*Changes Since the Prior Actuarial Valuation* – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the years ended August 31, 2017 and 2016, Texas Tech Public Media recognized pension expense of \$182,113 and \$56,463, respectively.

At August 31, 2017, Texas Tech Public Media reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,465	\$ 25,641
Changes in actuarial assumptions	26,173	23,803
Difference between projected and actual investment earnings	72,715	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	48,843	59,567
Contributions paid to TRS subsequent to the measurement date	73,360	-
	<hr/>	<hr/>
Total	\$ 234,556	\$ 109,011

A total of \$73,360 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2018. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2018	\$ 3,051
2019	3,051
2020	49,432
2021	(513)
2022	(10,339)
Thereafter	7,503
	<hr/>
	\$ 52,185

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6: DEFINED BENEFIT PENSION PLAN (continued)**

At August 31, 2016, Texas Tech Public Media reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,856	\$ 26,003
Changes in actuarial assumptions	2,073	24,139
Difference between projected and actual investment earnings	-	9,287
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	25,167	66,531
Contributions paid to TRS subsequent to the measurement date	41,805	-
Total	\$ <u>76,901</u>	\$ <u>125,960</u>

**NOTE 7: RELATED PARTIES**

Texas Tech Public Media is a public telecommunications entity licensed to Texas Tech University. As such, Texas Tech University is considered a related party. The radio station pays rent to the University for their facilities in the Plaza building. The University also pays for salaries and benefits, utilities, maintenance, education and general expenses and rent. The total of these expenses was \$627,837 and \$665,585 for the television station and \$242,245 and \$250,098 for the radio station for the years ended August 31, 2017 and 2016, respectively.

	<b>TELEVISION</b>		<b>RADIO</b>	
	2017	2016	2017	2016
Salaries and benefits	\$ 447,781	\$ 488,865	\$ 167,290	\$ 164,617
Education and general	160,951	151,321	71,141	71,990
Maintenance	10,078	11,015	2,777	2,989
Utilities	14,384	14,384	-	-
Building rent	-	-	9,339	9,339
	\$ <u>633,194</u>	\$ <u>665,585</u>	\$ <u>250,547</u>	\$ <u>248,935</u>

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8: *PRIOR PERIOD ADJUSTMENT***

During the year ended August 31, 2017, management identified promises to give that had previously been unrecorded to the financial statements for the year ended August 31, 2016. Accordingly, the effect of the unrecorded promises to give has been recorded to the financial statements for the year ended August 31, 2016. A summary of the effect of the changes is presented below:

	As Previously Reported	Adjustment	As Restated
<b>Statement of Net Position</b>			
Promises to give, net	\$ -	\$ 29,808	\$ 29,808
Total current assets	2,773,836	29,808	2,803,644
Total assets	4,027,765	29,808	4,057,573
Unrestricted net position	1,764,063	29,808	1,793,871
Total net position	3,211,607	29,808	3,241,415
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Contributions	215,015	4,900	219,915
Total operating revenues	2,909,203	4,900	2,914,103
Operating income (loss)	(323,940)	4,900	(319,040)
Change in net position	(311,394)	4,900	(306,494)
Net position, beginning of year	3,523,001	24,908	3,547,909
Net position, end of year	3,211,607	29,808	3,241,415
<b>Statement of Cash Flows</b>			
Reconciliation of operating loss to net cash flows from operating activities			
Operating loss	(323,940)	4,900	(319,040)
Net change in promises to give	-	(4,900)	(4,900)

**NOTE 9: *SUBSEQUENT EVENTS***

The Federal Trade Commission (FCC) is requiring KTTZ-FM to replace their transmitter and the antennae. The estimated cost is \$400,000. The radio station is currently in the request for proposal phase of this project.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10: RECONCILIATION OF FINANCIAL STATEMENTS TO CPB REPORT**

**TELEVISION**

	2017	2016
Revenue per audited financial statements	\$ 1,858,943	\$ 1,850,225
In-kind contributions	(1,000)	(1,000)
Indirect administrative support from Texas Tech University	(185,413)	(176,720)
Underwriting bad debt expense	(5,326)	(4,722)
Revenue per CPB report, Schedule A, Line 22	\$ <u>1,667,204</u>	\$ <u>1,667,783</u>
Expenses per audited financial statements	\$ 2,325,461	\$ 2,264,242
Cost of capital assets	<u>240,424</u>	<u>41,384</u>
Expenditures per CPB report, Schedule E, Line 10	\$ <u>2,565,885</u>	\$ <u>2,305,626</u>

**RADIO**

	2017	2016
Revenue per audited financial statements	\$ 791,680	\$ 1,076,524
Indirect administrative support from Texas Tech University	(73,000)	(74,979)
Underwriting bad debt expense	(924)	(3,049)
Revenue per CPB report, Schedule A, Line 22	\$ <u>717,756</u>	\$ <u>998,496</u>
Expenses per audited financial statements	\$ 962,199	\$ 968,901
Cost of capital assets	<u>-</u>	<u>5,175</u>
Expenditures per CPB report, Schedule E, Line 10	\$ <u>962,199</u>	\$ <u>974,076</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
SCHEDULE OF THE TEXAS TECH PUBLIC MEDIA'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2017

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Texas Tech Public Media's Proportion of the Net Pension Liability (Asset)	0.002272500%	0.001914131%	0.002321692%
Texas Tech Public Media's Proportionate Share of Net Pension Liability (Asset)	\$ 858,733	\$ 676,620	\$ 620,157
Texas Tech Public Media's Covered-Employee Payroll - Plan Fiscal Year	\$ 873,901	\$ 871,896	\$ 803,799
Texas Tech Public Media's Proportionate Share of Net Pension Liability (Asset) as a Percentage of it's Covered-Employee Payroll	98.26%	77.60%	77.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

\* GASB 68 requires that information on this schedule be dated from the period corresponding with the period covered as of the measurement date of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016, and August 31, 2014 for Year 2015. Plan information was unavailable prior to 2014.

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
SCHEDULE OF TEXAS TECH PUBLIC MEDIA'S CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 73,360	\$ 41,805	\$ 58,861
Contribution in Relation to the Contractually Required Contribution	<u>(73,360)</u>	<u>(41,805)</u>	<u>(57,198)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,663</u>
Texas Tech Public Media's Covered-Employee Payroll - Current Fiscal Year	\$ 1,099,240	\$ 873,901	\$ 871,896
Contributions as a Percentage of Covered - Employee Payroll	6.67%	4.78%	6.75%

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1: *NET PENSION LIABILITY – TEACHER RETIREMENT SYSTEM***

Changes of Benefit Terms

There were no changes to benefit terms that affected the measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There are no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions during the measurement period.

**SUPPLEMENTAL INFORMATION**

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENTS OF NET POSITION**  
**AUGUST 31, 2017 AND 2016**

	Television		Radio		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 1,112,384	\$ 1,458,970	\$ 854,192	\$ 962,421	\$ 1,966,576	\$ 2,421,391
Restricted cash	78,234	188,899	951	4,716	79,185	193,615
Accounts receivable	36,102	40,549	39,820	44,945	75,922	85,494
Promises to give, net	25,322	19,119	10,217	10,689	35,539	29,808
Licensed program rights	321,748	-	5,632	-	327,380	-
Prepaid items	59,623	52,308	18,777	21,028	78,400	73,336
Total current assets	1,633,413	1,759,845	929,589	1,043,799	2,563,002	2,803,644
<b>Capital assets, at cost</b>						
Building	623,700	623,700	-	-	623,700	623,700
Transmitter, antenna and tower	1,652,707	1,662,749	553,936	553,936	2,206,643	2,216,685
Broadcasting and production equipment	4,168,589	3,959,329	160,443	193,069	4,329,032	4,152,398
Furniture and fixtures	99,378	99,378	1,635	1,635	101,013	101,013
	6,544,374	6,345,156	716,014	748,640	7,260,388	7,093,796
Less: Accumulated depreciation	(5,445,796)	(5,283,887)	(569,084)	(555,980)	(6,014,880)	(5,839,867)
Capital assets, net	1,098,578	1,061,269	146,930	192,660	1,245,508	1,253,929
Total assets	2,731,991	2,821,114	1,076,519	1,236,459	3,808,510	4,057,573
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows - Pension	153,696	77,241	80,860	(340)	234,556	76,901
Total deferred outflows of resources	153,696	77,241	80,860	(340)	234,556	76,901
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable and accrued liabilities	1,836	9,929	17,180	3,373	19,016	13,302
Licensed program liability	386,097	-	-	-	386,097	-
Unearned revenue	31,399	30,381	37,364	46,796	68,763	77,177
Total current liabilities	419,332	40,310	54,544	50,169	473,876	90,479
<b>Noncurrent liabilities</b>						
Net pension liability	562,695	445,727	296,038	230,893	858,733	676,620
Total liabilities	982,027	486,037	350,582	281,062	1,332,609	767,099
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - Pension	71,431	111,071	37,580	14,889	109,011	125,960
Total deferred inflows of resources	71,431	111,071	37,580	14,889	109,011	125,960
<b>NET POSITION</b>						
Investment in capital assets	1,098,578	1,061,269	146,930	192,660	1,245,508	1,253,929
Restricted expendable	78,234	188,899	951	4,716	79,185	193,615
Unrestricted	655,417	1,051,079	621,336	742,792	1,276,753	1,793,871
Total net position	\$ 1,832,229	\$ 2,301,247	\$ 769,217	\$ 940,168	\$ 2,601,446	\$ 3,241,415

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	Television		Radio		Total	
	2017	2016	2017	2016	2017	2016
<b>OPERATING REVENUES</b>						
Contributions	\$ 158,595	\$ 105,793	\$ 119,582	\$ 114,122	\$ 278,177	\$ 219,915
Grants from the CPB	774,803	710,548	155,570	145,812	930,373	856,360
Federal Grants	-	14,353	-	-	-	14,353
Donated support from the University						
Direct administrative support	447,781	488,865	167,290	164,617	615,071	653,482
Indirect administrative support	185,413	176,720	73,000	74,979	258,413	251,699
Donated materials & services-in-kind	1,000	1,000	-	-	1,000	1,000
Other grants	71,873	55,414	27,255	362,568	99,128	417,982
Business contributions and underwriting	183,877	244,580	244,180	203,048	428,057	447,628
Miscellaneous income	32,661	44,527	3,357	7,157	36,018	51,684
Total operating revenues	<u>1,856,003</u>	<u>1,841,800</u>	<u>790,234</u>	<u>1,072,303</u>	<u>2,646,237</u>	<u>2,914,103</u>
<b>OPERATING EXPENSES</b>						
Program services						
Programming and production	934,812	744,502	325,549	301,701	1,260,361	1,046,203
Broadcasting	481,815	625,770	160,677	155,959	642,492	781,729
Program information	232,439	199,708	47,391	99,768	279,830	299,476
	<u>1,649,066</u>	<u>1,569,980</u>	<u>533,617</u>	<u>557,428</u>	<u>2,182,683</u>	<u>2,127,408</u>
Supporting services						
Management and general	541,382	529,325	298,348	286,981	839,730	816,306
Fund raising & membership development	133,101	143,795	119,328	116,944	252,429	260,739
Underwriting and grant solicitation	1,912	21,142	10,906	7,548	12,818	28,690
	<u>676,395</u>	<u>694,262</u>	<u>428,582</u>	<u>411,473</u>	<u>1,104,977</u>	<u>1,105,735</u>
Total operating expenses	<u>2,325,461</u>	<u>2,264,242</u>	<u>962,199</u>	<u>968,901</u>	<u>3,287,660</u>	<u>3,233,143</u>
<b>OPERATING (LOSS) INCOME</b>	(469,458)	(422,442)	(171,965)	103,402	(641,423)	(319,040)
<b>NON-OPERATING REVENUE/(EXPENSE)</b>						
(Loss) on disposal of assets	(2,500)	-	(432)	-	(2,932)	-
Interest income	2,940	8,325	1,446	4,221	4,386	12,546
Total non-operating revenue	<u>440</u>	<u>8,325</u>	<u>1,014</u>	<u>4,221</u>	<u>1,454</u>	<u>12,546</u>
<b>CHANGE IN NET POSITION</b>	(469,018)	(414,117)	(170,951)	107,623	(639,969)	(306,494)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,301,247</u>	<u>2,715,364</u>	<u>940,168</u>	<u>832,545</u>	<u>3,241,415</u>	<u>3,547,909</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,832,229</u>	<u>\$ 2,301,247</u>	<u>\$ 769,217</u>	<u>\$ 940,168</u>	<u>\$ 2,601,446</u>	<u>\$ 3,241,415</u>

**TEXAS TECH PUBLIC MEDIA**  
**(A Public Telecommunications Entity Licensed to Texas Tech University)**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	Television		Radio		Total	
	2017	2016	2017	2016	2017	2016
<b>CASH FLOWS - OPERATING ACTIVITIES</b>						
Receipts from contributors, grants, & underwriters	\$ 1,855,265	\$ 1,847,790	\$ 783,042	\$ 1,054,363	\$ 2,638,307	\$ 2,902,153
Other receipts	-	-	3,357	7,157	3,357	7,157
Payments to employees	(712,489)	(626,491)	(383,496)	(448,929)	(1,095,985)	(1,075,420)
Payments to suppliers	(1,096,899)	(1,127,488)	(387,902)	(483,847)	(1,484,801)	(1,611,335)
Payments for employee benefits	(265,644)	(229,414)	(128,441)	-	(394,085)	(229,414)
Net cash (used in) provided by operating activities	(219,767)	(135,603)	(113,440)	128,744	(333,207)	(6,859)
<b>CASH FLOWS - CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(240,424)	(41,384)	-	(5,175)	(240,424)	(46,559)
Net cash used in capital and related financing activities	(240,424)	(41,384)	-	(5,175)	(240,424)	(46,559)
<b>CASH FLOWS - INVESTING ACTIVITIES</b>						
Interest received	2,940	8,325	1,446	4,221	4,386	12,546
Net cash provided by investing activities	2,940	8,325	1,446	4,221	4,386	12,546
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	(457,251)	(168,662)	(111,994)	127,790	(569,245)	(40,872)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,647,869	1,816,531	967,137	839,347	2,615,006	2,655,878
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,190,618</u>	<u>\$ 1,647,869</u>	<u>\$ 855,143</u>	<u>\$ 967,137</u>	<u>\$ 2,045,761</u>	<u>\$ 2,615,006</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating (loss)	\$ (469,458)	\$ (422,442)	\$ (171,965)	\$ 103,402	\$ (641,423)	\$ (319,040)
Adjustments to reconcile income from operations to net cash used in operating activities						
Depreciation	200,615	307,708	45,298	46,264	245,913	353,972
Pension expense	116,968	25,614	65,145	30,849	182,113	56,463
Net change in:						
Accounts receivable	4,447	34,446	5,125	(8,513)	9,572	25,933
Promises to give	(6,203)	(1,858)	472	(3,042)	(5,731)	(4,900)
Prepaid items	(7,315)	(7,284)	2,251	(3,491)	(5,064)	(10,775)
Licensed program rights	(321,748)	-	(5,632)	-	(327,380)	-
Deferred outflows of resources	(76,455)	(37,337)	(81,200)	19,341	(157,655)	(17,996)
Accounts payable & accrued liabilities	(8,093)	(24,214)	13,807	(26,630)	5,714	(50,844)
Licensed program liabilities	386,097	-	-	-	386,097	-
Unearned revenue	1,018	(26,598)	(9,432)	772	(8,414)	(25,826)
Deferred inflows of resources	(39,640)	16,362	22,691	(30,208)	(16,949)	(13,846)
Total adjustments	249,691	286,839	58,525	25,342	308,216	312,181
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (219,767)</u>	<u>\$ (135,603)</u>	<u>\$ (113,440)</u>	<u>\$ 128,744</u>	<u>\$ (333,207)</u>	<u>\$ (6,859)</u>
<b>NON-CASH TRANSACTIONS</b>						
Loss on disposal of assets	\$ (2,500)	\$ -	\$ (432)	\$ -	\$ (2,932)	\$ -