Rogers State University KRSU–Television

Financial Statements
June 30, 2015

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Independent Auditor's Report

Board of Regents for the University of Oklahoma,
Rogers State University KRSU-Television
Norman, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of KRSU-Television (the Station), a department of Rogers State University (the University), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Station as of June 30, 2015, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the Station is considered a department of the University. The financial statements of the Station are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Station. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015, the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters
The financial statements of the Station as of and for the year ended June 30, 2014, were audited by other auditors whose report dated January 12, 2015, expressed an unmodified opinion on those statements.

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 February 12, 2016, on our consideration of the Station's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The report for the year ended June 30, 2014 was issued by other auditors and was dated January 12, 2015.

RSM US LLP

Oklahoma City, Oklahoma
February 12, 2016

Introduction

KRSU–Television Station (the Station) is a full service public television station, licensed to Rogers State University (the University), serving Northeast Oklahoma, and parts of Southeast Kansas and Northwest Arkansas. Its broadcast format is primarily educational, informational, and entertainment based programs, with content provided by station-produced documentaries and local interest programs, independently produced programming, as well as programs acquired from American Public Television Network, National Educational Television Association, and PBS.

The Station's signal originates from studios located on the campus of the University and uses the call letters KRSU–TV.

Overview of the Financial Statements and Financial Analysis

This section of the Station's financial statements presents management's discussion and analysis of the Station's financial performance for the fiscal year ended June 30, 2015. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The Station's total assets exceeded liabilities by $978,769 for the June 30, 2015 fiscal year. This compares to fiscal year 2014 and 2013 when assets exceeded liabilities by $996,231 and $1,186,221, respectively.

Capital assets, which have no related debt, including property and equipment, net of accumulated depreciation was $322,958, a decrease of 25.5 percent in fiscal year 2015, as compared to $433,704 in 2014, and $707,503 in 2013. The net change in capital assets during fiscal year 2015 represents equipment acquisitions of $48,237 and depreciation expense of $158,983.

The Unrestricted and Restricted–Expendable components of Net Position of $549,164 and $106,647, respectively, totaling $655,811, represents the portion available to maintain the Station's continuing obligations to viewership and creditors beyond fiscal year 2015. This is an increase of 16.6 percent over fiscal year 2014, where Unrestricted and Restricted–Expendable Net Position totaled $562,526, and an increase of 37.0 percent over fiscal year 2013, where Unrestricted and Restricted–Expendable Net Position totaled $478,717.

As of June 30, 2015, total liabilities for the Station were 10.1 percent or $6,783 more than fiscal year end June 30, 2014, and 26.6 percent or $26,662 less than fiscal year end June 30, 2013, as a result of a decreases in short term liabilities and accrued compensated absences.

Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the Station's net position and how it has changed. Net position is the difference between assets plus deferred outflows and liabilities plus deferred inflows. This is one way to measure the Station's financial health or position. Over time, the increases or decreases in the Station's net position are an indicator of whether its financial health is improving.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Financial Highlights (Continued)

The following tables summarize the Station's assets, liabilities and net position as of June 30, 2015, June 30, 2014 and 2013, and the Station's revenue, expenses and changes in net position for the same dates.

Statements of Net Position

	2015	2014	2013
		(in thousands)	
Assets			
Current assets	$ 730	$ 629	$ 579
Capital assets, net of depreciation	323	434	708
Total assets	1,053	1,063	1,287
Liabilities			
Current liabilities	74	67	101
Net position	$ 979	$ 996	$ 1,186

Operating Results

	2015	2014	2013
		(in thousands)	
Total operating revenues	$ 1,021	$ 1,065	$ 936
Total operating expenses	1,750	1,963	1,854
Operating loss	(729)	(898)	(918)
Total nonoperating revenue	712	708	795
Decrease in net position	(17)	(190)	(123)
Net position, beginning of year	996	1,186	1,309
Net position, end of year	$ 979	$ 996	$ 1,186

Operating and Non-Operating Revenues

The Station relies on three main sources of income: an annual allocation and related in-kind support from the University and the Rogers State University Foundation (the Foundation), which is categorized as non-operating revenue, and the operating revenue includes annual grants from the Corporation for Public Broadcasting (the CPB), and private donations, both cash and in-kind. Private donations are used for operating, capital expenses and special projects. Special projects often may include grants and contracts.

The table above summarizes the Station's operating revenues for the years ended June 30, 2015, 2014 and 2013, respectively. Total operating revenue of $1,021,022 in fiscal year 2015 decreased $43,602 or 4.1 percent when compared to 2014, and increased $84,394 when compared to 2013.

Public broadcasting grants for 2015 reflected increases from the prior years as funding from the Corporation for Public Broadcasting was increased.

In-kind contributions relate to the donated use of the broadcast tower by the Foundation, upon which the television signal is transmitted. Increases in this revenue relate to the increased market value of the tower rental contributed by the Foundation.

Financial Highlights (Continued)

Funding from Memberships and Pledge Drives totaled $60,759, an increase of $23,443 or 62.8 percent from fiscal year 2014 revenues of $37,316, and an increase of $13,909 or 29.7 percent from fiscal year 2013 revenues of $46,850. Increases are attributable to efforts on soliciting corporate sponsorships and expanding the membership base.

Underwriting and Production revenues associated with local productions generated $91,348, a decrease of $85,640, or 48.4 percent from fiscal year 2014 revenues of $176,988, and an increase of $20,684, or 29.3 percent from fiscal year 2013 revenues of $70,664. This decrease reflects fewer independent production projects during 2015 as compared to 2014, and an increase in independent production projects than in 2013.

The Station's non-operating revenues reflected above includes increases in University appropriations and donated facilities totaling approximately $3,000, as compared to 2014, and increases of approximately $27,000, as compared to 2013, which include personnel costs and facility support.

Operating Expenses

Program services expenses, which include programming and production, broadcasting, and program information, decreased by approximately $188,000 or 14.3 percent from fiscal year 2014, and $147,000, or 11.5 percent from 2013, due to reductions in local production activities.

Support services expenses for fiscal year 2015 decreased by approximately $25,000, or 3.8 percent from 2014, relating to a reduction in scholarships to students participating in the I Want Answers competition, and increased by approximately $42,000, or 7.0 percent from 2013, which related to the restructuring of the Station Management team, development of an expanded underwriting and production campaign, and expansion of the Station's website and direct marketing campaigns.

Statement of Cash Flows

This statement is used primarily to provide information about the receipts and disbursements of the Station during the years presented. It also aids in assessing the Station's ability to meet its current obligations, and to determine if external financing may be needed.

The fiscal year 2015 cash balance was $653,946, an increase of $85,559, or 15 percent from 2014, and an increase of $133,788, or 25.7 percent from 2013. Of the total cash available, $568,485, or 86.9 percent of this total is unexpended cash received from the CPB grants, which will be used to fund operations through the federal fiscal grant cycle ending September 30, 2016. The remaining cash balance, or $85,461 represents the balance of fundraising, membership, and production revenues at June 30, 2015.

	2015	2014	2013
	(in thousands)		
Cash provided by (used in):			
Operating activities	$ (273)	$ (339)	$ (347)
Noncapital financing activities	391	380	365
Capital financing activities	(48)	-	(37)
Investing activities	16	7	(22)
Net change in cash	86	48	(41)
Cash at beginning of year	568	520	561
Cash at end of year	$ 654	$ 568	$ 520

Conclusion

The Station's financial position continues to reflect stable signs of strength. Institutional support from both the University and the Rogers State University Foundation continues to remain stable and increases in underwriting and production contracts related to new outreach initiatives are expected to increase.

Funding to the Corporation for Public Broadcasting (CPB) and the pass-through of those funds to the Station are subject to funding decisions of the U.S. Congress. Funding for the fiscal year 2016 Community Service Grant is estimated to increase slightly, with funding beyond 2016 remaining uncertain.

As the Station continues to proactively reach out to its membership base and focuses on attracting new corporate partnerships, the Station will accomplish it strategic goals and fulfill its mission to provide viewers throughout Northeast Oklahoma, Southeast Kansas and Northwest Arkansas quality television programming.

Rogers State University KRSU–Television

Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash	**$ 653,946**	$ 568,387
Funds held for the benefit of the Station	**28,519**	33,516
Accounts receivable	**30,637**	27,534
Prepaid expenses	**16,402**	-
Total current assets	**729,504**	629,437
Capital assets, net of accumulated depreciation	**322,958**	433,704
Total assets	**$ 1,052,462**	$ 1,063,141
Liabilities and Net Position		
Current liabilities:		
Accounts payable	**$ 9,234**	$ 15,533
Unearned revenue	**24,233**	-
Accrued compensated absences	**40,226**	51,377
Total current liabilities	**73,693**	66,910
Net position:		
Net investment in capital assets	**322,958**	433,705
Restricted-expendable	**549,164**	461,914
Unrestricted	**106,647**	100,612
Total net position	**978,769**	996,231
Total liabilities and net position	**$ 1,052,462**	$ 1,063,141

See notes to financial statements.

Rogers State University KRSU–Television

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Public broadcasting grants	**$ 706,180**	$ 693,837
In-kind donations	**162,735**	156,483
Membership and pledge drive	**60,759**	37,316
Underwriting	**91,348**	176,988
Total operating revenues	**1,021,022**	1,064,624
Operating expense:		
Salaries	**526,188**	566,899
Benefits	**236,237**	257,674
Contractual services	**102,032**	73,973
Training and travel	**28,829**	22,998
Supplies	**154,260**	228,459
Postage	**4,542**	6,979
Telecommunications	**3,691**	3,998
Print shop	**6,113**	8,168
Noncapitalizable equipment and repairs	**45,351**	32,390
Depreciation	**158,983**	273,799
Indirect administrative support	**301,609**	313,341
In-kind tower space	**162,735**	156,483
Utilities	**19,568**	17,605
Total operating expense	**1,750,138**	1,962,766
Operating loss	**(729,116)**	(898,142)
Nonoperating revenues:		
General University appropriations	**390,998**	379,979
Donated facilities and indirect administrative support	**294,881**	303,139
On-behalf payments for OTRS	**14,817**	16,011
Interest income	**10,958**	9,023
Total nonoperating revenues	**711,654**	708,152
Change in net position	**(17,462)**	(189,990)
Net position at beginning of year	**996,231**	1,186,221
Net position at end of year	**$ 978,769**	$ 996,231

See notes to financial statements.

Rogers State University KRSU–Television

Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

		2015		2014
Cash flows from operating activities:				
Cash received from contributions, grants underwriting and other receipts	**$**	**875,506**	$	907,743
Cash paid to employees		**(755,812)**		(807,624)
Cash paid to suppliers		**(392,851)**		(439,155)
Net cash used in operating activities		**(273,157)**		(339,036)
Cash flows from noncapital financial activities:				
Cash received from university appropriations		**390,998**		379,979
Cash flows from capital and related financing activites:				
Purchase of capital assets		**(48,237)**		-
Cash flows from investing activities:				
Investment income		**10,958**		9,023
Change in funds held for the benefit of the Station		**4,997**		(1,737)
Net cash used in investing activites		**15,955**		7,286
Net change in cash		**85,559**		48,229
Cash and cash equivalents at the beginnning of year		**568,387**		520,158
Cash and cash equivalents at the end of year	**$**	**653,946**	$	568,387
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	**$**	**(729,116)**	$	(898,142)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation		**158,983**		273,799
On-behalf contributions from OTRS		**14,817**		16,011
Facilities and administrative support		**294,881**		303,139
Change in operating assets and liabilities:				
Accounts receivable		**(3,103)**		(398)
Prepaid expenses		**(16,402)**		-
Accounts payable		**(6,299)**		(34,383)
Unearned revenue		**24,233**		-
Accrued compensated absences		**(11,151)**		938
	$	**(273,157)**	$	(339,036)

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations: Rogers State University KRSU-Television (the Station) is a television station operated by Rogers State University (the University) in Claremore, Oklahoma. The Station is not a separate corporation, but a public telecommunications entity and a department of the University. The financial activities of the Station are accounted for by the University. The Station does not maintain a separate set of self-balancing financial records. The financial statements of the Station are prepared from the financial records maintained by the University.

Financial statement presentation: The Station's financial statements are presented in accordance with the requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. Under GASB Statements No. 34 and 35, the Station is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses, and a statement of cash flows using the direct method.

Basis of accounting: The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash and cash equivalents: The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Capital assets: The Station follows the practice of capitalizing all major expenditures for land, buildings, equipment, and leasehold improvements. Such assets are recorded at cost, or if acquired by gift, at fair value at date of receipt. Depreciation is provided over the estimated useful lives of the assets based on the straight-line method. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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 an operating expense in the statement of revenues, expenses and changes in net position.

Unearned revenue: Unearned revenue at June 30, 2015 and 2014 consists of $24,233 and $0, respectively, in underwriting revenues related to amounts received by the Station but have not been earned.

Income taxes: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant. As a department of the University, the Station is also exempt from income taxes.

Programming: Licensed program materials from National Public Radio (NPR) are expensed when purchased.

Note 1. Summary of Significant Accounting Policies (Continued)

Donated facilities and indirect administrative support: Donated facilities consist of certain premises located in and owned by the University that are occupied by the Station without charge. The allocable portion of the premises is reported as both a revenue and as an expense in the period when the premises are used.

Indirect administrative support includes allocable portions of institutional support and physical plant operations. The amount of University expenditures attributable to the Station are allocated based upon suggested formats of the Corporation for Public Broadcasting (the CPB). For the year ended June 30, 2015, the allocation methods were as follows:

- Institutional support—These cost are allocated based upon the Station's salaries, wages and benefits to total direct salaries, wages and benefits of the University.
- Physical plant operations—Physical plant costs are allocated based upon the Station's net usable square feet to net usable square feet of the University.

In-kind contributions: Since fiscal year 1995, the CPB determined that it would not allow in-kind contributions for programs, compact discs, and volunteer services to be included for grant calculation purposes. Therefore, the CPB and the NPR have not furnished values for these in-kind contributions. These amounts have not been included in the accompanying financial statements; however, the Station considers these in-kind contributions to be an integral part of the operations. The estimated fair value of in-kind contributions, primarily advertising, is recorded as revenue and expensed in the period used.

Operating revenue and expenses: The Station distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Station's principal ongoing operations. The principal operating revenues of the Station are grants for public broadcasting entities, including grants to enhance the quality of programming and expand the scope of public broadcasting services, as well as revenues received from underwriting and memberships and contributions from donors.

Operating expenses include cost of services, payments to suppliers and employees, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue recognition: Grant funds are reported as revenue when eligibility requirements have been met. Grant funds that have been received but have not met eligibility requirements are reported as unearned revenue. Revenue from underwriting and memberships is reported as revenue when received. Contributions are from fundraising from special events and are reported as operating revenue when received.

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 accumulated depreciation, and related deferred outflows of resources, reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

Note 1. Summary of Significant Accounting Policies (Continued)

Unrestricted net position: Unrestricted net position represents resources derived from the ongoing operations of the Station. These resources may be used at the discretion of the governing board to meet current expenses for any purpose.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the Station that are applicable to a future reporting period. At June 30, 2015 and 2014, the Station did not have any deferred outflows of resources.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the Station that are applicable to a future reporting period. At June 30, 2015 and 2014, the Station did not have any deferred inflows of resources.

New accounting pronouncements issued not yet adopted: The GASB has issued a new accounting pronouncement which will be effective to the Station in fiscal year 2016. A description of the new accounting pronouncement and the Station's consideration of the impact of these pronouncements are described below:

Statement No. 76, *The Hierarchy of Generally Accepted accounting Principles for State and Local Governments* (GASB No. 76) was issued in June 2015 and supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

Reclassifications: Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation with no effect on net position or change in net position.

Note 2. Deposits and Investments

The University acts as depository for funds received from the CPB and other sources for the benefit of the Station. These grant monies are pooled with other University funds for investment purposes, and are invested with the State Treasurer's Cash Management System.

The State Treasurer requires that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the state's name.

The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

Funds held for the benefit of the Station are pooled within the net assets of Rogers State University Foundation, Inc. (the Foundation). The Foundation is a private Foundation organized for the purpose of receiving and administering gifts intended for the benefit of the University. At June 30, 2015 and 2014, the Foundation maintained cash balances on behalf of the Station totaling $28,519 and $33,516, respectively.

Note 3. Capital Assets

A summary of the changes in capital assets for the years ended June 30, 2015 and 2014, is as follows:

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
Building and tower	$ 55,356	$ -	$ -	$ 55,356
Leasehold improvements	150,372	-	-	150,372
Equipment	3,752,806	48,237	-	3,801,043
Total cost of capital assets	3,958,534	48,237	-	4,006,771
Less accumulated depreciation	(3,524,830)	(158,983)	-	(3,683,813)
Capital assets, net	$ 433,704	$ (110,746)	$ -	$ 322,958

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Building and tower	$ 55,356	$ -	$ -	$ 55,356
Leasehold improvements	150,372	-	-	150,372
Equipment	3,855,467	-	(102,661)	3,752,806
Total cost of capital assets	3,958,534	-	(102,661)	3,958,534
Less accumulated depreciation	(3,353,692)	(273,799)	102,661	(3,524,830)
Capital assets, net	$ 604,842	$ (273,799)	$ -	$ 433,704

Note 4. Related Party Transactions With Rogers State University Foundation, Inc.

The Station leases building and tower space from the Foundation without cost. The estimated fair market value of building and tower space donated to the Station by the Foundation was approximately $163,000 and $156,000 during the years ended June 30, 2015 and 2014, respectively, and are included in in-kind contributions in the statements of revenues, expenses and changes in net position.

Note 5. Retirement Programs

The Station, through the University, currently provides two pension plans to its employees. The first plan available to University personnel is the Oklahoma Teachers' Retirement System (OTRS or the System), which is a defined benefit plan offered to all eligible faculty and staff. The second is through Fidelity Investments which is a defined contribution plan.

Plan description: OTRS is a cost-sharing multiple-employer defined-benefit pension plan sponsored by the state of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age and term of services. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70, Sections 17-101 through 17-116.9, as amended; of the Oklahoma Statutes define all retirement benefits. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information or OTRS. That annual report may be obtained by writing to the OTRS, P. O. Box 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at www.ok.gov/TRS/.

Note 5. Retirement Programs (Continued)

Funding policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate is applied to annual compensation and is determined by state statute. The contribution rate was 8.55 percent for 2015, 2014, and 2013. Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7 percent of covered salaries and fringe benefits in 2015, 2014 and 2013. The University makes all contributions on behalf of the employees.

The University's contributions to the OTRS for the Station's employees for the years ended June 30, 2015, 2014, and 2013 were approximately $103,000, $121,000 and $120,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the employee's contribution paid directly by the University.

The state of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2015 and 2014, the state of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of the Station's covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year.

For the year ended June 30, 2015 and 2014, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the Station was approximately $15,000 and $16,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net position.

During fiscal year June 30, 2015 the University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. The implementation of these statements resulted in the University recognizing a net pension liability, deferred inflows and deferred outflows of $20,593,000, $5,323,000, and $2,773,000 respectively. The University has elected to not allocate the accrued net pension liability and deferred amounts to the University departments as they represent amounts accrued during prior fiscal years. Only the expenses associated with contributions made during the year by the Department and the State on behalf of the University are recognized as expense.

Note 6. Functional Expense Classification

The Station's operating expenses by functional classification were as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Program services:		
Programming and production	$ 502,328	$ 619,234
Broadcasting	593,435	658,303
Program information	33,476	39,755
Support services:		
Fundraising	51,122	56,525
Management and general	569,777	588,949
	$ 1,750,138	$ 1,962,766

Note 7. 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 telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services.

Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for the acquisition of programming. The grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain guidelines must be satisfied in connection with application for and use of the CSGs to maintain eligibility and meet compliance requirements. These guidelines pertain to the use of CSG funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission. Management believes these are routine requirements and do not provide any restrictions on the grants.

For the year ended June 30, 2015, the Station received $706,180 and expended $628,658 in grant revenue in relation to CSGs. For the year ended June 30, 2014, the Station received $693,837 and expended $682,192 in grant revenue in relation to CSGs

Note 8. Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and/or omission; employee injuries and /or illnesses; natural disasters; and employee health, life and accident benefits. Through the University, commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and Comp Source Oklahoma (formerly the State Insurance Fund), public entity risk pools (the Pools) currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for its tort, property, and liability insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Station participates in the insurance programs described above by virtue of it being a department of the University. The University does not separately allocate any of these liabilities to the Station. Accordingly, no portion of these liabilities are reflected in the Station’s financial statements.

RSM

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

Independent Auditor's Report

To the Board of Regents for the University of Oklahoma,
Rogers State University KRSU-Television
Norman, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KRSU-Television (the Station), a department of Rogers State University (the University), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2016. Our report includes an emphasis of matter paragraph stating that the Station is a department of the University and these financial statements reflect only the assets, liabilities and revenues and expenses of the Station and not the University as a whole.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2015-01 that we consider to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Station'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Station's Response to Finding
The Station's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Station'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.

RSM US LLP

Oklahoma City, Oklahoma
February 12, 2016

2015-01

Finding: A detailed and thorough review of the transactions of the Station was not performed to ensure proper accounting on the accrual basis.

Criteria: The Station should maintain a system of internal controls that ensures financial statements are prepared in accordance with the accrual basis of accounting.

Condition: The financial statements of the Station are maintained on the cash basis of accounting throughout the year. At yearend adjustments are made to convert the accounting records from the cash basis to the accrual basis. Based on our audit procedures an entry of approximately $16,000 was proposed to record prepaid expenses and decrease operating expenses. In addition, an entry of approximately $24,000 was proposed to record unearned revenue and decrease underwriting revenue. We also proposed an adjustment for $7,000 to record underwriting receivables at year end. The net amount of all audit adjusting journal entries was approximately $47,000.

Cause: Management does not have a formal year-end financial statement closing process to address items such as prepaid expenses, deferral of underwriting revenue received in one period but not earned until subsequent periods and similar matters.

Context: Preparation and review of the yearend trial balance and financial statements.

Effect: Material adjusting journal entries were required to the Station's trial balance for the financial statements to be presented in accordance with the accrual basis of accounting.

Recommendation: A formal year-end closing schedule should be developed to assist in closing the accounting records and preparation for the audit. All operating expenses and underwriting revenue should be reviewed to determine the proper period to record the related items. In addition, we recommend that the Station maintain detailed records and schedules of underwriting revenue that includes the applicable contract period to ensure that the revenue is being recognized during the appropriate fiscal year.

Response and Corrective Action Plan: Station personnel have been instructed to adopt improved internal controls and new accounting processes to facilitate identification of year-end accruals and deferrals. Management will ensure the procedures are implemented and incorporated into the annual financial statement preparation process.