Financial Statements
June 30, 2016 and 2015

Rogers State University KRSU - Television

Independent Auditor's Report

To the Board of Regents of the University of Oklahoma
Rogers State University
Claremore, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of Rogers State University KRSU - Television (the Station), a department of Rogers State University (the University), which comprise the statement of net position as of June 30, 2016, 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, 2016, 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, 2016, 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, 2015, were audited by other auditors whose report dated February 12, 2016, 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 through 7 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 8, 2017 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

Eide Bailly LLP

Tulsa, Oklahoma
February 8, 2017

Introduction

KRSU-TV 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 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 years ended June 30, 2016 and 2015. The Station's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The Station's total assets exceeded liabilities by $952,464 for the June 30, 2016 fiscal year. This compares to fiscal year 2015 and 2014 when assets exceeded liabilities by $978,769 and $996,231, respectively.

Capital assets, which have no related debt, including property and equipment, net of accumulated depreciation was $236,107, a decrease of 27% in fiscal year 2016 compared to $322,958 in 2015 which was a decrease of 26% compared to $433,704 in fiscal year 2014. The net change in capital assets during fiscal year 2016 represents equipment acquisitions of $75,882 and depreciation expense of $162,733.

The Unrestricted and Restricted–Expendable components of Net Position of $158,239 and $558,118, respectively, totaling $716,357, represents the portion available to maintain the Station's continuing obligations to viewership and creditors beyond fiscal year 2016. This is an increase of 9.2% over fiscal year 2015, where Unrestricted and Restricted–Expendable Net Position totaled $655,811, and an increase of 27.3% over fiscal year 2014, where Unrestricted and Restricted-Expendable Net Position totaled $562,526.

As of June 30, 2016, total liabilities for the Station were 14.9% or $10,986 more than fiscal year end June 30, 2015, and 26.6% or $17,769 more than fiscal year end June 30, 2014, as a result of increases 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.

The following tables summarize the Station's assets, liabilities and net position as of June 30, 2016, 2015 and 2014, and the Station's revenue, expenses and changes in net position for the same dates.

	2016	2015	2014
Assets			
Current assets	$ 801,036	$ 729,504	$ 629,437
Capital assets, net of accumulated depreciation	236,107	322,958	433,704
Total assets	$ 1,037,143	$ 1,052,462	$ 1,063,141
Liabilities			
Current liabilities	$ 84,679	$ 73,693	$ 66,910
Total liabilities	84,679	73,693	66,910
Net Position			
Net investment in capital assets	236,107	322,958	433,705
Restricted - expendable	558,118	549,164	461,914
Unrestricted	158,239	106,647	100,612
Total net position	952,464	978,769	996,231
Total liabilities and net position	$ 1,037,143	$ 1,052,462	$ 1,063,141

	2016	2015	2014
Revenues, expenses and changes in net position			
Operating revenue	$ 1,058,385	$ 1,021,022	$ 1,064,624
Operating expenses	1,824,763	1,750,138	1,962,766
Operating loss	(766,378)	(729,116)	(898,142)
Nonoperating revenues	740,073	711,654	708,152
Change in net position	$ (26,305)	$ (17,462)	$ (189,990)

Operating and Non-Operating Revenues

The following table details the operating revenue and non-operating revenue for the Station for the fiscal years ending on June 30, 2016, 2015 and 2014.

	2016	2015	2014
Operating revenues			
Corporation for Public Broadcasting (CPB) grant	$ 694,966	$ 706,180	$ 693,837
Other grants	4,463	-	-
In-kind donations	169,279	162,735	156,483
Memberships	91,952	60,759	37,316
Underwriting	97,725	91,348	176,988
Total operating revenues	1,058,385	1,021,022	1,064,624
Nonoperating revenues			
General University appropriations	413,357	390,998	379,979
Indirect administrative support	299,456	294,881	303,139
On-behalf payments for OTRS	15,737	14,817	16,011
Interest Income	11,523	10,958	9,023
Total nonoperating revenues	740,073	711,654	708,152
Total revenues	$ 1,798,458	$ 1,732,676	$ 1,772,776

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, which is categorized as non-operating revenue, and the operating revenue includes annual grants from the Corporation for Public Broadcasting, 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, 2016, 2015 and 2014, respectively. Total operating revenue of $1,058,385 in fiscal year 2016 increased $37,363 or 3.7% when compared to 2015, which decreased $43,602 or 4.1% when compared to 2014.

Public broadcasting grants for 2016 reflected a decrease from the prior year as funding from the Corporation for Public Broadcasting was reduced. Public broadcasting grants for 2015 reflected an increase over 2014 due to a special CPB grant received in 2015.

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

Funding from Memberships and Pledge Drives totaled $91,952, an increase of $31,193, or 51.3% from fiscal year 2015 revenues of $60,759. This was an increase of $23,433, or 62.8% from fiscal year 2014 revenues of $37,316. Increases are attributable to efforts on soliciting corporate sponsorships and expanding the membership base.

Underwriting and Production revenues associated with local productions generated $97,725, an increase of $6,377, or 7.0% from fiscal year 2015 revenues of $91,348, which was a decrease of $85,640 or 48.4% from fiscal year 2014 revenues of $176,988.

The Station's Non-operating revenues reflected above includes increases in University appropriations and donated facilities totaling approximately $28,000, which include capital grants, personnel costs and facility support.

Operating Expenses

The following table summarizes the station's operating expenses for the years ending June 30, 2016, 2015, and 2014.

	2016	2015	2014
Program services			
Programming and production	$ 467,128	$ 502,328	$ 619,234
Broadcasting	635,925	593,435	658,303
Program information	60,210	33,476	39,755
Total program services	1,163,263	1,129,239	1,317,292
Support services			
Fundraising and membership	63,057	44,419	56,525
Underwriting	10,867	6,703	0
Management and general	587,576	569,777	588,949
Total support services	661,500	620,899	645,474
Total operating expenses	$ 1,824,763	$ 1,750,138	$ 1,962,766

Program services expenses, which include programming and production, broadcasting, and program information and activities, increased by approximately $34,000, or 3.0% from fiscal year 2015, which decreased $188,000 or 14.3% from 2014, due to fluctuating levels of activity related to local production projects.

Support services expenses for fiscal year 2016 increased by approximately $41,000, or 6.5% from 2015, as a result of continuing interest and support for the 'I Want Answers' academic competition program and continued efforts to expand underwriting and membership support. Support services expenses for fiscal year 2015 decreased approximately $25,000 or 3.8% relating to a reduction in scholarships to students participating in 'I Want Answers.'.

Economic Outlook

The Station's financial position continues to reflect stable signs of strength. Institutional support from both Rogers State 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 2017 Community Service Grant is estimated to decrease, with funding beyond 2017 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.

	2016	2015
Assets		
Current Assets		
Cash	$ 655,371	$ 653,946
Funds held for the benefit of the station	74,132	28,519
Accounts receivable	24,342	30,637
Prepaid Expenses	47,191	16,402
Total current assets	801,036	729,504
Capital assets, net of accumulated depreciation	236,107	322,958
Total assets	$ 1,037,143	$ 1,052,462
Liabilities and Net Position		
Current liabilities		
Accounts payable	$ 18,793	$ 9,234
Accrued compensated absences	36,350	40,226
Unearned revenues	29,536	24,233
Total current liabilities	84,679	73,693
Net position		
Net investment in capital assets	236,107	322,958
Restricted - expendable	558,118	549,164
Unrestricted	158,239	106,647
Total net position	952,464	978,769
Total liabilities and net position	$ 1,037,143	$ 1,052,462

	2016	2015
Operating revenues		
Public broadcasting grants	$ 694,966	$ 706,180
Federal and state grants	4,463	-
In-kind donations	169,279	162,735
Memberships	91,952	60,759
Underwriting	97,725	91,348
Total operating revenues	1,058,385	1,021,022
Operating expenses		
Salaries	539,313	526,188
Benefits	239,817	236,237
Contractual services	75,251	102,032
Training and travel	36,211	28,829
Supplies	246,566	154,260
Postage	3,650	4,542
Telecommunications	2,739	3,691
Print shop	4,278	6,113
Noncapitalizable equipment and repairs	13,773	45,351
Depreciation	162,733	158,983
Indirect administrative support	308,948	301,609
In-kind tower space	169,279	162,735
Utilities	22,205	19,568
Total operating expenses	1,824,763	1,750,138
Operating loss	(766,378)	(729,116)
Nonoperating revenues		
General university appropriations	413,357	390,998
Donated facilities and indirect administrative support	299,456	294,881
On-behalf payments for OTRS	15,737	14,817
Interest income	11,523	10,958
Total nonoperating revenues	740,073	711,654
Net decrease in net position	(26,305)	(17,462)
Net positon, beginning of year	978,769	996,231
Net position, end of year	$ 952,464	$ 978,769

	2016	2015
Cash Flows from Operating Activities		
Cash received from contributions, grant, underwriting and miscellaneous receipts	$ 899,075	$ 875,506
Cash paid to employees	(764,031)	(755,812)
Cash paid to suppliers	(434,114)	(392,851)
Net Cash used in Operating Activities	(299,070)	(273,157)
Cash Flows from Noncapital Financing and Other Activities		
Cash received from University allocations	413,357	390,998
Cash Flows from Capital and Related Financing Activities		
Cash paid for capital assets	(75,882)	(48,237)
Cash Flows from Investing Activities		
Investment income	8,634	10,958
Change in funds held for the benefit of the Station	(45,614)	4,997
Net cash from (used in) investing activities	(36,980)	15,955
Net Increase in Cash and Cash Equivalents	1,425	85,559
Cash and Cash Equivalents, Beginning of Year	653,946	568,387
Cash and Cash Equivalents, End of Year	$ 655,371	$ 653,946

Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	$ (766,378)	$ (729,116)
Adjustments to reconcile operating loss to net cash used in Operating Activities	162,733	158,983
Depreciation		
On-behalf contributions from OTRS	15,737	14,817
Facilities and administrative support	299,456	294,881
Changes in assets and liabilities		
Accounts receivable	9,184	(3,103)
Prepaid expenses	(30,789)	(16,402)
Accounts payable	9,560	(6,299)
Unearned revenue	5,303	24,233
Accrued compensated absences	(3,876)	(11,151)
Total adjustments	467,308	455,959
Net Cash used in Operating Activities	$ (299,070)	$ (273,157)

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Rogers State University KRSU–Television (the Station) is a public telecommunications division of Rogers State University (the University). The Station conducts operations from the University's campus located in Claremore, Oklahoma. 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 non-operating revenues and expenses, and a statement of cash flows using the direct method.

The Station is a department of the University. These financial statements do not purport to, and do not, present fairly the financial position of the University as of June 30, 2016, 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.

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.

Accounts receivable

Accounts receivable consists of expense accrued for payroll and benefits reimbursable from the University, underwriting receivables and interest receivable. All receivables are due in one year or less. An allowance for accounts receivable is not recorded since management believes all accounts are fully collectible.

Capital assets

The Station follows the University's 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 on the straight-line methods, ranging from 5 to 31 years. 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, 2016 and 2015 consist of $29,536 and $24,233, 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.

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 years ended June 30, 2016 and 2015, the allocation methods were as follows:

Institutional Support - These costs 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 Stations 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.

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 earned. Contributions are from fundraising from special events and are reported as operating revenue when earned.

Net position

The Station's net position is classified as follows:

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

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, 2016 and 2105, 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, 2016 and 2015, the Station did not have any deferred inflows of resources.

New Accounting Pronouncements Adopted in Fiscal Year 2016

The University adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair Value Measurement and Application (GASB No. 72) was issued February 2015 is effective June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. As the Station maintains limited investments which act as cash and cash equivalents, this pronouncement had limited effect to the financial reporting and disclosure of fair value measurement of certain of the Station's assets and liabilities at June 30, 2016.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain provisions of GASB Statements 67 and 68 (GASB No. 73) issued June 2015 is effective for the fiscal year ending June 30, 2016 and did not impact the Station as it participates in a plan within the scope of GASB Nos. 67 and 68.

New Accounting Pronouncements Issued but Not Yet Adopted

The GASB has also issued several new accounting pronouncements which will be effective for the Station in future fiscal years. A description of the new accounting pronouncements and the Station's consideration of the impact of these pronouncements are described below:

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans (GASB No. 74) was issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions: (GASB No. 75) was issued in June 2015, will be effective for the Station beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

The Station is currently evaluating the impact that these new standards will have on its financial statements, if any.

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 in 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. As of June 30, 2016 and 2015, the Foundation maintained cash balances on behalf of the Station totaling $74,132 and $28,519, respectively.

Note 3 - Capital Assets

A summary of the changes in capital assets for the years ended June 30, 2016 and 2015, is as follows:

	Balance June 30, 2015	Additions	Transfers and Retirements	Balance June 30, 2016
Cost of capital assets				
Building and tower	$ 55,356	$ -	$ -	$ 55,356
Lease hold improvements	150,372	-	-	150,372
Station equipment	3,801,042	75,882	-	3,876,924
Total cost of capital assets	4,006,770	75,882	-	4,082,652
Less accumulated depreciation				
Total depreciation	(3,683,812)	(162,733)	-	(3,846,545)
Capital assets, net	$ 322,958	$ (86,851)	$ -	$ 236,107

	Balance June 30, 2014	Additions	Transfers and Retirements	Balance June 30, 2015
Cost of capital assets				
Building and tower	$ 55,356	$ -	$ -	$ 55,356
Lease hold improvements	150,372	-	-	150,372
Station equipment	3,752,806	48,236	-	3,801,042
Total cost of capital assets	3,958,534	48,236	-	4,006,770
Less accumulated depreciation				
Total depreciation	(3,524,830)	(158,983)	-	(3,683,812)
Capital assets, net	$ 433,704	$ (110,747)	$ -	$ 322,958

Note 4 - Related Party Transactions With the 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 by the Foundation was approximately $169,000 and $163,000 during the year ended June 30, 2016 and 2015, respectively, and are included as in-kind donations and in-kind tower space in the statements of revenues, expenses and changes in net position.

The Station received facility and indirect administrative support from the University of $299,456 and $294,881 for 2016 and 2015, respectively. The Station also received direct appropriations from the University for general operations of $413,357 and $390,998 in 2016 and 2015.

Note 5 - Retirement Programs

The Station, through the University, currently provides a pension plans to its employees. The 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.

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 service. 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 for OTRS. That annual report may be obtained by writing to the OTRS, P.O. 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at www.ok.gov/TRS/.

Defined Benefit Plan Funding: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate, as determined by state statute, was 8.55% applicable for the fiscal years ended June 30, 2016, 2015 and 2014. Employees’ contributions are also determined by state statute. For all employees, the contribution rate was 7 percent of covered salaries and fringe benefits in 2016, 2015 and 2014. 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, 2016, 2015 and 2014 were approximately $106,000, $103,000 and $121,000, 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 2016 and 2015, the state of Oklahoma contributed 5% 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, 2016 and 2015, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the Station was approximately $16,000 and $15,000, respectively. These on-behalf payments have been recorded as non-operating revenues and operating expenses in the statement 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 year ended June 30, 2016 and 2015:

	2016	2015
Program services		
Programming and production	$ 467,128	$ 502,328
Broadcasting	635,925	593,435
Program information	60,210	33,476
Support services		
Fundraising and membership	63,057	44,419
Underwriting	10,867	6,703
Management and general	587,576	569,777
	$ 1,824,763	$ 1,750,138

Note 7 - Grants

The Corporation for Public Broadcasting (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 (CSG's) to qualifying public telecommunications entities. CSG's 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 which complies with the grant restrictions. In addition, the grants may be used to sustain activities begun with CSG's awarded in prior years.

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

For the year ended June 30, 2016, the Station received $694,966 and expended $696,486 in grant revenue in relation to CSG's. For the year ended June 30, 2015, the Station received $706,180 and expended $646,094 in grant revenue in relation to CSG's.

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 its liabilities to the Station. Accordingly, no portion of these liabilities are reflected in the Station’s financial statements.

EideBailly
CPAs & BUSINESS ADVISORS

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

Board of Regents of the University of Oklahoma
Rogers State University
Claremore, 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 Rogers State University KRSU - Television (the Station), a department of the Rogers State University (the University), which comprise the statement of net position as of June 30, 2016, 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 8, 2017. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

Eide Bailly LLP

Tulsa, Oklahoma
February 8, 2017

2015-01 Material adjusting entries
Material Weakness in Internal Control

Initial Fiscal Year Finding Occurred: 2015

Finding Summary: Accruals for underwriting receivables, prepaid expenses, and unearned revenues were not recorded.

Status: As of June 30, 2015, the necessary audit entries were made to correct. As of June 30, 2016, this has not reoccurred.