

**WESTERN KENTUCKY UNIVERSITY**  
**WKYU-FM RADIO**  
Bowling Green, Kentucky

**FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

WESTERN KENTUCKY UNIVERSITY  
WKYU-FM RADIO

FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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## INDEPENDENT AUDITOR'S REPORT

President Gary A. Ransdell and  
Members of the Board of Regents  
Western Kentucky University  
Bowling Green, Kentucky

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

We have audited the accompanying business-type activities of WKYU-FM (the "Station"), a public broadcasting entity operated by Western Kentucky University, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Station'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 Station'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 respective financial position of the business-type activities of the Station, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As described in Note 2, the financial statements present only the Station and do not purport to, and do not, present fairly the financial position of Western Kentucky University as of June 30, 2013 and 2012 and the changes in its financial position 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.

As discussed in Note 2 to the financial statements, in June 2011, the GASB issued GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Statement 63 is effective for the fiscal year ending June 30, 2013. This statement was implemented retroactively for the fiscal year ended June 30, 2013. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.



Crowe Horwath LLP

Louisville, Kentucky  
January 21, 2014

WESTERN KENTUCKY UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013

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***Introduction***

The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and activities of WKYU-FM Radio (the "Station") for the year ended June 30, 2013, with selected comparative information for the years ended June 30, 2012 and 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements and related notes and this discussion and analysis are the responsibility of management.

***Fiscal Year 2013 Highlights***

- The Station's net position increased by \$265,201 (14.8%) as a result of this year's operations.
- Operating revenues decreased by \$12,093 (5.3%) to \$215,091.
- Operating expenses excluding depreciation decreased by \$15,466 (0.8%).
- Nonoperating revenues increased by \$253,248 (14.5%).

***Governmental Accounting Standards***

The MD&A, financial statements and accompanying notes are prepared in accordance with the Governmental Accounting Standards Board ("GASB") pronouncements.

***Statements of Net Position***

The statements of net position present a financial picture of the Station's financial condition at the end of the fiscal year by reporting assets (current and noncurrent), liabilities (current and noncurrent) and net position (assets less liabilities).

***Assets***

Total assets of the Station at the end of fiscal years 2013, 2012 and 2011 were \$2,141,989, \$1,894,871 and \$1,894,284, respectively, of which cash represented the largest portion. Cash totaled \$1,932,353, \$1,756,788 and \$1,712,692, or 90%, 93% and 90%, of total assets for fiscal years 2013, 2012 and 2011, respectively.

***Liabilities***

Liabilities of the Station consisted of \$19,007, \$16,680 and \$22,649, of accrued employee costs at June 30, 2013, 2012 and 2011, respectively. Additionally, unearned revenue from the Corporation for Public Broadcasting ("CPB") grants as of June 30, 2013, 2012 and 2011 was \$66,223, \$86,633 and \$88,232, respectively.

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**Net Position**

Net position of the Station was \$2,056,759, \$1,791,558 and \$1,783,403 at June 30, 2013, 2012 and 2011, respectively, and were divided into two major categories, defined as follows:

- *Investment in capital assets*– This category represents the Station's equity in equipment.
- *Unrestricted* – This category represents net position held by the Station that have no formal restrictions placed upon them.

**Condensed Statements of Net Position**  
**June 30, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
Current assets	\$ 1,980,345	\$ 1,814,360	\$ 1,787,889
Noncurrent assets			
Capital assets, net	<u>161,644</u>	<u>80,511</u>	<u>106,395</u>
Total assets	<u>2,141,989</u>	<u>1,894,871</u>	<u>1,894,284</u>
<b>LIABILITIES</b>			
Current liabilities	<u>85,230</u>	<u>103,313</u>	<u>110,881</u>
<b>NET POSITION</b>			
Investment in capital assets	161,644	80,511	106,395
Unrestricted	<u>1,895,115</u>	<u>1,711,047</u>	<u>1,677,008</u>
Total net position	<u>\$ 2,056,759</u>	<u>\$ 1,791,558</u>	<u>\$ 1,783,403</u>

**Statement of Activities**

The statement of activities presents the total revenues (operating and nonoperating) received and earned by the Station and expenses (operating and nonoperating) paid and owed by the Station and income or loss from operations for the fiscal year.

**Revenues**

Total operating revenues, which exclude University appropriations, of the Station for the fiscal years 2013, 2012, and 2011 were \$215,091, \$227,184 and \$251,198, respectively. The primary sources of operating revenues were from underwriting of \$176,796, \$174,366 and \$140,791 and in-kind contributions of \$38,295, \$52,818 and \$110,407 for 2013, 2012 and 2011, respectively.

Nonoperating revenues included nonoperating grants and contracts of \$228,629, \$264,657 and \$289,553 from the Corporation for Public Broadcasting and other agencies for fiscal years ended June 30, 2013, 2012 and 2011, respectively. Grant revenues related to nonexchange type agreements are classified as nonoperating revenues. In a nonexchange agreement, the Station receives dollars from another party without directly giving a service or product of equal value in exchange.

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The Station received \$985,125, \$810,365 and \$775,986 of University appropriations and \$302,626, \$271,530 and \$272,994 of administrative support from the University for fiscal years ended June 30, 2013, 2012 and 2011, respectively, which are classified as nonoperating revenues. These funds were used to support Station operating activities.

**Expenses**

Total operating expenses of the Station for 2013, 2012 and 2011 were \$1,946,004, \$1,961,895 and \$1,990,313, respectively. Total program services expenses were \$1,084,651, \$1,004,278 and \$1,067,136 and total supporting services expenses were \$818,714, \$914,553 and \$855,713 for 2013, 2012 and 2011, respectively. Depreciation expense was not allocated to each program group, but is presented as a single expense item representing depreciation for all areas of the Station. Depreciation expense totaled \$42,639, \$43,064 and \$67,464 for 2013, 2012 and 2011, respectively.

**Condensed Statements of Activities**  
**Years Ended June 30, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>			
Operating revenues			
Underwriting	\$ 176,796	\$ 174,366	\$ 140,791
In-kind contribution	38,295	52,818	110,407
Total operating revenues	<u>215,091</u>	<u>227,184</u>	<u>251,198</u>
<b>EXPENSES</b>			
Operating expenses			
Program services	1,084,651	1,004,278	1,067,136
Supporting services	818,714	914,553	855,713
Depreciation	42,639	43,064	67,464
Total operating expenses	<u>1,946,004</u>	<u>1,961,895</u>	<u>1,990,313</u>
<b>Operating loss</b>	<u>(1,730,913)</u>	<u>(1,734,711)</u>	<u>(1,739,115)</u>
<b>NONOPERATING REVENUES</b>			
General appropriations from Western			
Kentucky University	985,125	810,365	775,986
Indirect administrative support	302,626	271,530	272,994
Grants and contracts	228,629	264,657	289,553
Subscriptions and memberships	228,473	230,258	222,491
Miscellaneous income	251,261	166,056	295,804
Net nonoperating revenues	<u>1,996,114</u>	<u>1,742,866</u>	<u>1,856,828</u>
Increase in net position	265,201	8,155	117,713
Net position, beginning of year	<u>1,791,558</u>	<u>1,783,403</u>	<u>1,665,690</u>
<b>Net position, end of year</b>	<u>\$ 2,056,759</u>	<u>\$ 1,791,558</u>	<u>\$ 1,783,403</u>

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**Statements of Cash Flows**

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

The major source of cash from operating activities was business and industry underwriting of \$176,796, \$174,366 and \$140,791 for 2013, 2012 and 2011, respectively. The most significant uses of cash for operating activities were payments to (and on behalf of) employees of \$806,714, \$846,791 and \$836,498 and to suppliers of \$1,081,966, \$1,053,607 and \$1,086,602 for 2013, 2012 and 2011, respectively.

The cash flows from noncapital financing activities included \$1,287,751, \$1,081,895 and \$1,048,980 for 2013, 2012 and 2011, respectively, received as general appropriations and indirect administrative support from the University, which is the largest source of cash for the fiscal years.

**Condensed Statements of Cash Flows**  
**Years Ended June 30, 2013, 2012 and 2011**

	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>
Net cash used in operating activities	\$ (1,676,367)	\$ (1,679,991)	\$ (1,665,139)
Net cash provided by noncapital financing activities	1,975,704	1,741,267	1,854,313
Net cash used in capital and related financing activities	<u>(123,772)</u>	<u>(17,180)</u>	<u>-</u>
Increase in cash	175,565	44,096	189,174
Cash, beginning of year	<u>1,756,788</u>	<u>1,712,692</u>	<u>1,523,518</u>
Cash, end of year	<u>\$ 1,932,353</u>	<u>\$ 1,756,788</u>	<u>\$ 1,712,692</u>

**Capital Assets**

As of June 30, 2013, 2012 and 2011, the Station had \$161,644, \$80,511 and \$106,395 invested in capital assets, net of accumulated depreciation of \$993,107, \$950,467 and \$907,404, respectively. Capital assets at June 30, 2013, 2012 and 2011 are summarized below:

	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>
Equipment	\$ 1,154,751	\$ 1,030,978	\$ 1,013,799
Less accumulated depreciation	<u>993,107</u>	<u>950,467</u>	<u>907,404</u>
Capital assets	<u>\$ 161,644</u>	<u>\$ 80,511</u>	<u>\$ 106,395</u>

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***Economic Factors Impacting Future Periods***

The following are known facts and circumstances that may affect the future financial viability of the University:

- Due to the large amount of investments that are held by the Western Kentucky University Foundation, the Station has to consider the fluctuations in the market. Realized and unrealized losses within these accounts can have an effect on our operations.

***Requests for Information***

This financial report is designed to provide a general overview of Western Kentucky University's Public Radio and Television finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Brinkley, Interim Director of Educational Telecommunications, Western Kentucky University, Academic Complex 240A, 1906 College Heights Blvd., Bowling Green, Kentucky 42101. You may also contact David Brinkley via email at [david.brinkley@wku.edu](mailto:david.brinkley@wku.edu) or via phone at (270) 745-6140.

WESTERN KENTUCKY UNIVERSITY  
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STATEMENTS OF NET POSITION  
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash on deposit with University	\$ 1,932,353	\$ 1,756,788
Accounts receivable	15,997	13,220
Prepaid expenses	<u>31,995</u>	<u>44,352</u>
Total current assets	<u>1,980,345</u>	<u>1,814,360</u>
Noncurrent assets		
Capital assets	1,154,751	1,030,979
Accumulated depreciation	<u>(993,107)</u>	<u>(950,468)</u>
Total noncurrent assets	<u>161,644</u>	<u>80,511</u>
<b>Total assets</b>	<u>\$ 2,141,989</u>	<u>\$ 1,894,871</u>
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Accrued payroll	\$ 5,856	\$ 3,253
Accrued vacation	13,151	13,427
Unearned revenue	<u>66,223</u>	<u>86,633</u>
Total current liabilities	<u>85,230</u>	<u>103,313</u>
Net position		
Investment in capital assets	161,644	80,511
Unrestricted	<u>1,895,115</u>	<u>1,711,047</u>
Total net position	<u>2,056,759</u>	<u>1,791,558</u>
<b>Total liabilities and net position</b>	<u>\$ 2,141,989</u>	<u>\$ 1,894,871</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY  
WKYU-FM RADIO  
STATEMENTS OF ACTIVITIES  
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Operating revenues		
Business and industry underwriting	\$ 176,796	\$ 174,366
In-kind contributions	<u>38,295</u>	<u>52,818</u>
Total operating revenues	<u>215,091</u>	<u>227,184</u>
<b>EXPENSES</b>		
Operating expenses		
Program services		
Programming and production	853,997	717,807
Broadcasting	190,096	239,556
Program information and promotion	<u>40,558</u>	<u>46,915</u>
	<u>1,084,651</u>	<u>1,004,278</u>
Supporting services		
Management and general	602,920	707,008
Fundraising	123,949	127,739
Underwriting	<u>91,845</u>	<u>79,806</u>
	<u>818,714</u>	<u>914,553</u>
Depreciation	<u>42,639</u>	<u>43,064</u>
Total operating expenses	<u>1,946,004</u>	<u>1,961,895</u>
<b>Operating loss</b>	<u>(1,730,913)</u>	<u>(1,734,711)</u>
<b>NONOPERATING REVENUES</b>		
General appropriation from Western		
Kentucky University	985,125	810,365
Indirect administrative support	302,626	271,530
Grants from Corporation for Public Broadcasting	228,629	264,657
Subscriptions and memberships	228,473	230,258
Miscellaneous income	<u>251,261</u>	<u>166,056</u>
Net nonoperating revenues	<u>1,996,114</u>	<u>1,742,866</u>
<b>Change in net position</b>	265,201	8,155
<b>Net position, beginning of year</b>	<u>1,791,558</u>	<u>1,783,403</u>
<b>Net position, end of year</b>	<u>\$ 2,056,759</u>	<u>\$ 1,791,558</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY  
WKYU-FM RADIO  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Business and industry underwriting received	\$ 176,796	\$ 174,366
Other operating revenues/in-kind	35,517	46,041
Payments to employees	(806,714)	(846,791)
Payments to suppliers	<u>(1,081,966)</u>	<u>(1,053,607)</u>
Net cash used in operating activities	<u>(1,676,367)</u>	<u>(1,679,991)</u>
<b>Cash flows from noncapital financing activities</b>		
General appropriation and indirect support from Western Kentucky University	1,287,751	1,081,895
Grants from Corporation for Public Broadcasting	208,219	263,058
Subscriptions and memberships	228,473	230,258
Other noncapital financing activities	<u>251,261</u>	<u>166,056</u>
Net cash provided by noncapital financing activities	<u>1,975,704</u>	<u>1,741,267</u>
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	<u>(123,772)</u>	<u>(17,180)</u>
Net cash used in capital and related financing activities	<u>(123,772)</u>	<u>(17,180)</u>
<b>Increase in cash</b>	175,565	44,096
<b>Cash, beginning of year</b>	<u>1,756,788</u>	<u>1,712,692</u>
<b>Cash, end of year</b>	<u>\$ 1,932,353</u>	<u>\$ 1,756,788</u>
<b>Reconciliation of net operating loss to net cash flows from operating activities</b>		
Operating loss	\$ (1,730,913)	\$ (1,734,711)
Depreciation expense	42,639	43,064
Changes in operating assets and liabilities		
Prepaid expenses	12,357	24,402
Accounts receivable	(2,777)	(6,777)
Accrued expenses	<u>2,327</u>	<u>(5,969)</u>
Cash flows from operating activities	<u>\$ (1,676,367)</u>	<u>\$ (1,679,991)</u>

See accompanying notes to financial statements.

WESTERN KENTUCKY UNIVERSITY  
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June 30, 2013 and 2012

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**NOTE 1 – NATURE OF OPERATIONS**

WKYU-FM (the "Station") is a public radio station operated by and receiving support from Western Kentucky University (the "University"), Bowling Green, Kentucky. The Station is included in the financial statements of the University.

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

Basis of Presentation: The Station prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board ("GASB"). The financial statement presentation provides a comprehensive, entity-wide perspective of the Station's assets, liabilities, net position, revenues, expenses, changes in net position and cash flows. The Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Western Kentucky University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Western Kentucky University as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Revenue Recognition: Contributions, pledges and grants are recorded as revenue in the accompanying statements of revenues, expenses and changes in net position. In-kind contributions, other than the contribution from the University, are recognized as revenue at the estimated fair value at the date of the gift.

The portion of the University's indirect costs attributable to the Station's operations and the value of space provided for broadcast facilities are included as revenues and expenses, and are computed in accordance with guidelines established by the Corporation for Public Broadcasting. Total indirect support from the University for the years ended June 30, 2013 and 2012 was \$302,626 and \$271,530, respectively.

Expenses: When an expense is incurred for which both restricted and unrestricted resources are available, the Station's policy is to allow for the flexibility to determine whether to first apply restricted or unrestricted resources based on the most advantageous application of resources in the particular circumstances.

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

- *Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as business and industry underwriting.
- *Nonoperating revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as sales and services of auxiliary enterprises. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) college appropriations, (2) most federal, state, and local grants and contracts and federal appropriations, and (3) gifts and contributions.

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(Continued)

WESTERN KENTUCKY UNIVERSITY  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash on Deposit With University: For administrative purposes, cash balances of the Station are included in bank accounts maintained by the University and the Western Kentucky University Foundation (the "Foundation"). Details of accounting transactions affecting cash are maintained by each entity.

The University currently uses commercial banks and the Commonwealth of Kentucky (the "Commonwealth") as depositories. Deposits with commercial banks are covered by federal depository insurance or collateral held by the University's agent in the University's name. At the Commonwealth level, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth's agent in the Commonwealth's name.

The Foundation's cash is on deposit with commercial banks and is federally insured up to \$250,000 per bank.

Accounts Receivable: Accounts receivable consists of business and industry underwriting and subscriptions and memberships. Accounts receivable are recorded net of estimated uncollectible amounts, if any.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset and is not allocated to functional expense categories. Equipment with an estimated useful life of greater than one year and a cost of \$5,000 is capitalized and depreciated with one-half year's depreciation taken during the year of purchase or donation. Construction in progress is capitalized when incurred. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred or when the project was closed and is identified as projects less than \$100,000. The Station continues to track equipment with a cost of \$500 or more for insurance purposes consistent with applicable Kentucky Revised Statutes but does not capitalize items at these lower thresholds. The following estimated useful lives are being used by the Station:

- Buildings and building improvements 15 - 40 years
- Furniture, fixtures and equipment 3 - 15 years
- Land improvements and infrastructure 20 years

Unearned Revenue: Unearned revenue includes grant funding received from the Corporation of Public Broadcasting ("CPB") that has not been expended at the end of the fiscal year. CPB provides funds to WKYU-FM at the beginning of a funding period. Thus, any unspent CPB funds at the end of the fiscal year are recorded as unearned revenue until qualifying expenses have been 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

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(Continued)

WESTERN KENTUCKY UNIVERSITY  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recent Accounting Pronouncements Adopted/Implemented:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Agreements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering. Adoption of this statement did not have an impact on the Station's financial position or results of operations.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. Adoption of this statement did not have an impact on the Station's financial position or results of operations.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants ("AICPA") pronouncements. Adoption of this statement did not have an impact on the Station's financial position or results of operations.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. As a result, the Radio Station's equity was previously classified as Net Assets; however, as required by GASB 63, the equity is now called Net Position. In addition, because the Station had no deferred outflows or deferred inflows at June 30, 2013 and 2012, it has elected not to present these captions on the Statement of Net Position.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this Statement did not have an impact on the Station's financial position or results of operations.

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WESTERN KENTUCKY UNIVERSITY  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements: As of June 30, 2013, the GASB has issued the following statements not yet implemented by the University.

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement is intended to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, *Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, and *No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Station's management has not yet determined the effect this statement will have on the Station's financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement is intended to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Station's management has not yet determined the effect this statement will have on the Station's financial statements.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, Issued June 2012. The provisions for this statement are effective for fiscal years beginning after June 15, 2014. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operation* - In January 2013, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. This Statement also requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for the Station's fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - In April 2013, the objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for the Station's fiscal year ended June 30, 2015, with earlier application being encouraged. Management has not determined what impact, if any, this GASB statement might have on its financial statements.
- The Station's management has not yet determined the effect these statements will have on the Station's financial statements.

**NOTE 3 – CAPITAL ASSETS**

Capital assets consist of equipment. Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	Deletions/ Retirements	Balance June 30, <u>2013</u>
Equipment	\$ 1,030,979	\$ 123,772	\$ -	\$ 1,154,751
Less accumulated depreciation	<u>950,468</u>	<u>42,639</u>	<u>-</u>	<u>993,107</u>
Total capital assets, net	<u>\$ 80,511</u>	<u>\$ 81,133</u>	<u>\$ -</u>	<u>\$ 161,644</u>

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance July 1, <u>2011</u>	<u>Additions</u>	Deletions/ Retirements	Balance June 30, <u>2012</u>
Equipment	\$ 1,013,799	\$ 17,180	\$ -	\$ 1,030,979
Less accumulated depreciation	<u>907,404</u>	<u>43,064</u>	<u>-</u>	<u>950,468</u>
Total capital assets, net	<u>\$ 106,395</u>	<u>\$ (25,884)</u>	<u>\$ -</u>	<u>\$ 80,511</u>

(Continued)

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**NOTE 4 – PENSION PLAN**

Kentucky Teachers' Retirement System: The University contributes to the Kentucky Teachers' Retirement System ("KTRS"), a cost-sharing, multiple-employer, defined-benefit pension plan administered by the Board of Trustees of KTRS. The plan provides retirement, disability and death benefits to plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KTRS Board of Trustees. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601 or by calling (502) 573-3266.

Funding for the plan is provided from eligible employees who contribute 6.16% (or 7.16% for employees entering the plan on or after July 1, 2008) of their salary through payroll deductions and the Commonwealth of Kentucky, which also indirectly contributes 13.84% (or 14.84% on behalf of employees entering the plan on or after July 1, 2008) of current eligible employees' salaries to the KTRS through appropriations to the University. The contribution requirements of plan members are established by statute and may be changed only by the Kentucky General Assembly. The University's required contributions to KTRS for Station employees for the years ended June 30, 2013, 2012 and 2011, were \$52,503, \$53,694 and \$52,876, respectively.

Kentucky Employees' Retirement System: The University contributes to the Kentucky Employees' Retirement System ("KERS"), a cost-sharing, multiple-employer, defined-benefit pension plan administered by the Board of Trustees of KERS. The plan provides retirement, disability and death benefits to plan members. The Commonwealth of Kentucky assigns the authority to establish and amend benefit provisions to the KERS Board of Trustees. KERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (502) 564-4646.

Plan members are required to contribute 5.00% (or 6.00% for employees entering the plan on or after September 1, 2008) of their annual covered salary, and the University is required to contribute at an actuarially determined rate. The current rate is 10.01% of annual covered payroll. University police officers participate in the Hazardous Duty Division of KERS. The officers are required to contribute 8.00% (or 9.00% for officers entering the plan on or after September 1, 2008) of their annual covered salary, and the University is required to contribute at an actuarially determined rate. The current rate is 24.35% of annual covered payroll. The contribution requirements of plan members are established by statute and may be changed only by the Kentucky General Assembly. The University's required contributions to KERS for Station employees for the years ended June 30, 2013, 2012 and 2011, were \$8,730, \$10,524 and \$8,970, respectively.

Optional Retirement Plan: University faculty and administrative staff hired after July 1, 1996, have the option of participating in the Optional Retirement Program, a defined contribution pension plan. The plan is administered by one of three providers chosen by the employee. The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and may be amended by action of the Commonwealth of Kentucky. Contribution rates for plan members and the University expressed as a percentage of covered payrolls were 6.16% and 13.84%, respectively. Of the University's 13.84% contribution, 5.10% is paid to Kentucky Teachers' Retirement System for unfunded liabilities. Contributions actually made during 2013, 2012 and 2011 for the Station were aggregated as \$16,193, \$15,517 and \$15,305, respectively.

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**NOTE 5 – NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES**

The Station's operating expenses by natural classification were as follows:

	Natural Classification 2013				
	Compensation and <u>Benefits</u>	<u>Other</u>	Non- Capitalized <u>Property</u>	<u>Depreciation</u>	<u>Total</u>
Program and supporting services	\$ 809,042	\$ 1,094,323	\$ -	\$ -	\$ 1,903,365
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,639</u>	<u>42,639</u>
Total operating expenses	<u>\$ 809,042</u>	<u>\$ 1,094,323</u>	<u>\$ -</u>	<u>\$ 42,639</u>	<u>\$ 1,946,004</u>

  

	Natural Classification 2012				
	Compensation and <u>Benefits</u>	<u>Other</u>	Non- Capitalized <u>Property</u>	<u>Depreciation</u>	<u>Total</u>
Program and supporting services	\$ 840,822	\$ 1,046,070	\$ 31,939	\$ -	\$ 1,918,831
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,064</u>	<u>43,064</u>
Total operating expenses	<u>\$ 840,822</u>	<u>\$ 1,046,070</u>	<u>\$ 31,939</u>	<u>\$ 43,064</u>	<u>\$ 1,961,895</u>

**NOTE 6 – RISK MANAGEMENT**

The Station is an operating unit of the University. The Station and University are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, employee health and certain natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

In 2006, the University opted out of the Kentucky public entity risk pool and began self-insuring workers' compensation claims. The University contracts with a third-party administrator for administration services related to workers' compensation claims.