OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

Oklahoma Educational Television Authority
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June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Oklahoma Educational Television Authority (OETA - The Oklahoma Network) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015.

OETA was created by the Oklahoma Legislature in 1953 to "make educational television services available to all Oklahoma citizens on a coordinated statewide basis". (O.S. Title 74, section 23-101)

The Federal Communications Commission (FCC) licenses for all of the state-owned educational, non-commercial television transmitters (18) are administered through OETA. Twelve other states have similar statewide educational television operations and support their networks through state appropriations. OETA receives approximately $0.90 per citizen in state funding while other state networks receive as much as $5.58 per citizen to support their educational television operations. Originally, the entire operating budget of OETA was funded by direct appropriation of state dollars. However, as equipment, broadcasting, programming and production expenses have increased and services have been expanded, the proportion of state funding has decreased from 100 percent to now approximately 42 percent however that does not include programming cost. As a state agency, the operating costs of the Authority are primarily funded through legislative appropriation and a small amount of self-generated funds. All programming, promotion and development are supported fully by the OETA Foundation based on the 1992 Partnership Agreement between the Authority and the Foundation. Foundation-generated dollars are received from viewers, corporations, foundations and other grants. The OETA Foundation is a legally separate and tax-exempt entity. The Foundation was formed to receive, invest and expend funds from the public and grantors for the benefit of public broadcasting.

The current financial support structure of OETA and the OETA Foundation are often cited by Oklahoma policy-makers as an ideal example of a successful "Public/Private" partnership.

This report provides financial statements and related notes reflecting the general administrative, technical and programming activities of the Authority. Under Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34*, the OETA Foundation is considered a part of the overall reporting entity and its financials are reported separately after each Authority statement. This management discussion and analysis will be restricted to only the Authority's financial statements. The Authority financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, AND STATEMENT OF CASH FLOWS

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Authority's financial condition. The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of legislation and statutes.

The Statement of Revenues, Expenses and Changes in Net Position reports all of the revenues and expenses during the time periods indicated. The Statement of Cash Flows reports the sources and uses of cash.

Statement of Net Position

	FY2014	FY2015
Assets:		
Current assets	$ 588,472	$ 1,108,321
Capital assets, net	10,097,354	9,782,583
Total Assets	10,685,826	10,890,904
Deferred Outflows of Resources:		
Deferred costs on pension plan	-	385,355
Liabilities:		
Current liabilities	222,933	899,265
Noncurrent liabilities	109,769	294,945
Total Liabilities	332,702	1,194,210
Deferred Inflows of Resources:		
Deferred gain on pension plan	-	866,941
Net Position:		
Invested in capital assets, net	10,097,354	9,782,583
Unrestricted	255,770	(567,475)
Total Net Position	$10,353,124	$ 9,215,108

Statement of Revenues, Expenses, and Changes in Net Position

	FY2014	FY2015
Operating revenues:		
Subsidy from OETA Foundation	$1,942,641	$1,981,632
Telecasting, production and other income	253,859	299,284
State grants	-	335,180
Total operating revenues	$2,196,500	$2,616,096
Operating expenses:		
Programming and Production	2,179,964	1,885,654
Broadcasting and Technical	3,958,913	4,066,955
Viewer Support	132,870	88,347
Depreciation	2,291,627	2,023,962
Administration	800,015	604,028
Total operating expenses	9,363,389	8,668,946
Operating loss	(7,166,889)	(6,052,850)
Nonoperating revenues (expenses):		
State appropriations	3,822,328	3,607,696

In-kind contributions	1,227,765	915,070
Total nonoperating revenue (expenses)	5,050,093	4,522,766
Income(loss) before other revenues or expenses	(2,116,796)	(1,530,084)
Other revenues and expenses:		
State appropriations restricted for capital	-	380,000
State capital contributions	-	250,000
OETA Foundation capital subsidy	-	835,451
Total Other revenues and expenses	-	1,465,451
Net Changes in Position	$ (2,116,796)	$ (64,633)

Statement of Cash Flows

	FY2014	FY2015
Cash provided (used) by:		
Operating activities	$(4,005,657)	$(3,600,496)
Noncapital financing activities	3,822,328	3,987,696
Capital financing activities	-	(12,521)
Net Change in Cash	(183,329)	374,679
Cash, beginning of year	627,422	444,093
Cash, end of year	$ 444,093	$ 818,772

OVERALL FINANCIAL POSITION

Although considered a "Proprietary Fund" for auditing and reporting purposes under GASB 34, the Oklahoma Educational Television Authority (OETA) does not generate sufficient funding necessary for continued operations and capital equipment improvements that have been required by the Federal Communication Commission for public broadcasting. The Authority requires both public and private funding sources to support its budget.

As noted above, **operating functions are almost entirely dependent upon State General Revenue appropriations**, while program acquisition relies solely on OETA Foundation funding. The net operating loss of ($6,052,850) in FY15 was lower than in FY14 ($7,166,889). During FY14 the subsidy from the OETA Foundation totaled $1,942,641 and in FY15 was $1,981,632, with an additional capital contribution from the OETA Foundation in the amount of $835,451. The additional subsidies were required for operating expenses and capital improvements mostly related to maintenance repairs and equipment needs. As operating costs increase and if no additional state funding is received this subsidy will need to increase more each year.

FY15 operating revenues which include grants, studio and tower rentals, tape dubbing charges, royalties, productions reimbursements, and the OETA Foundation subsidy account for 30.4% and non-operating and other revenues which include state appropriations and contributions account for 69.6% of all revenues received.

Two important sources of financial support, not directly attributable to state appropriations and OETA Foundation programming expenditures are the other In-kind Contributions (Channel 9 land & tower rentals) and any Foundation Subsidy. Both of these revenue sources are vital to the on-going operations of the network. With the required move from the Channel 9 tower to the American Tower site located at 122nd and Kelley Avenue in Oklahoma City, the in-kind contribution will decrease since the new tower location has a monthly rental cost of $7,776.

The Statement of Cash Flows reveals the necessity for General Revenue Appropriations from the state of Oklahoma and any OETA Foundation subsidies. Operating activities do not generate sufficient cash to fund expenses without these crucial funding sources.

SIGNIFICANT CHANGES IN CAPITAL ASSETS

Each year as broadcasting and ancillary equipment is replaced; OETA's capital assets continue to expand. More information on total capital assets can be found in the notes to the financial statements.

A vigorous effort is made annually to reconcile the asset management system within the statewide network. A physical inventory is done annually and outdated or unusable assets are transferred to OMES – Surplus Property Division during the year for proper disposal. Unfortunately, due to limited operating funds available during each year, assets are only maintained and/or replaced on an emergency basis.

SIGNIFICANT MATTERS AFFECTING FUTURE FINANCIAL OPERATIONS

GRANT FROM THE OKLAHOMA STATE DEPARTMENT OF EDUCATION ("SDE") – OETA received a second grant from SDE for FY16 in the amount of $350,000. This grant will be used by the Educational Outreach Department to grow the Ready to Learn project. This project is a community-based early childhood literacy and math program that focuses efforts on preparing Oklahoma children for future school success.

OKLAHOMA CITY ANTENNA RELOCATION – In the summer of 2014, OETA was required to move our Oklahoma City antenna location from the tower owned by Griffin Communications located on 73rd & North Kelley Avenue to a tower owned and operated by American Tower Company located approximately 4 miles north at 122nd and North Kelley. This move required an investment by the OETA Foundation in excess of $1,200,000. OETA was able to secure a supplemental appropriation from the state for $380,000 to offset some of the cost of the move.

The move was required since Griffin Communication was deconstructing their current tower due to age and dangerous ice falling from the tower in the winter and damaging vehicles and buildings.

This move will require OETA to incur approximately $173,000 in additional operating expenses each year.

This move was completed by OETA during August and September, 2014.

OKLAHOMA LEGISLATURE - OETA was granted authority during the 2015 Legislative session to continue operating as a state agency, with appropriated funding, through June 30, 2020.

During the 2014 Legislative session, the Oklahoma State Legislature required OETA submit a plan on how OETA could operate without state appropriations over a three-year, a five-year, or seven-year period. The plan was completed and submitted to the state legislature for consideration.

The plan concludes that eliminating state funding to OETA, whether it's over three years, five years or seven years, will result in the loss of most of OETA's staff, reduced private investments and support, and a severe reduction of local programs. This would make OETA simply a "pass-through" entity of national programs. It would create a reduction in audience, the loss of infrastructure, including rural translators serving smaller Oklahoma communities, which would lead to the loss - probably permanently - of FCC licenses.

OPERATING EXPENSES EXPANDING

As stated in the financial statements and notes, there is much dependency by OETA on the OETA Foundation and other private donors. OETA depends on these sources to fund purchasing of programs and continuing capital endeavors, and now that OETA received appropriation reductions over the last few years totaling more than $1,803,149 (34.7%) this need becomes even more apparent year to year relying on these sources of funds for maintenance, replacement of digital equipment and even personnel cost if the state funds are not restored.

Therefore, current administration, working closely with the OETA Foundation, is in the early stages of a "Funding the Dream" campaign to seek private funding that will help fund the type of creative, informative, and inspiring programming and outreach necessary to connect Oklahomans to a lifetime of learning and discovery. OETA is committed to creating more knowledgeable, civically engaged and productive citizens of all ages.

The OETA Foundation has continued to receive generous donations from individual viewers, foundations and corporations on behalf of OETA. These supporters are especially pleased to contribute because of the partnership between the public and private sectors. Obviously, changes in the local economy, investment returns and/or state funding can disrupt the current balance of income.

HSPG & Associates, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oklahoma Educational Television Authority
Oklahoma City, Oklahoma

We have audited the accompanying financial statements and discretely presented component unit of Oklahoma Educational Television Authority ("OETA" or the "Authority"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise OETA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority and the discretely presented component unit as of June 30, 2015, and the respective changes in financial position and, where applicable, 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 to the financial statements, in 2015 the Authority adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of OETA's proportionate share of the net pension liability and schedule of OETA contributions on pages i–v and 23 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 October 12, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

October 12, 2015

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

ASSETS		
CURRENT ASSETS:		
Cash	$	438,772
Restricted cash		380,000
Accounts receivable		
Trade receivables		192,667
Related parties - OETA Foundation		96,882
Total current assets		1,108,321
NONCURRENT ASSETS:		
Capital assets		
Land		26,272
Buildings and improvements		5,242,865
Broadcast equipment		33,594,979
Transportation equipment		108,853
Office furniture and equipment		818,590
		39,791,559
Less: Accumulated depreciaiton		(30,008,976)
Total capital assets		9,782,583
Total noncurrent assets		9,782,583
Total Assets	$	10,890,904
DEFERRED OUTFLOWS OF RESOURCES		
Deferred costs on pension plan	$	385,355
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable		
Trade payables	$	326,341
Related parties - OETA Foundation		380,000
Accrued payroll		19,881
Compensated absences, current portion		173,043
Total current liabilities		899,265
NONCURRENT LIABILITIES:		
Pension liability, net		236,029
Compensated absences		58,916
Total liabilities	$	1,194,210
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on pension plan due to actuarial differences	$	866,941
NET POSITION		
Invested in capital assets, net	$	9,782,583
Unrestricted		(567,475)
Total net position	$	9,215,108

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
COMPONENT UNIT STATEMENT OF FINANCIAL POSITION (OETA FOUNDATION)
AS OF JUNE 30, 2015

ASSETS	
Cash and cash equivalents	$ 5,921,334
Restricted cash	2,455,879
Pledges receivable	266,094
Other receivables	31,191
Receivables from related parties	380,000
Investments	26,781,559
Accrued investment income	33,610
Prepaid expenses	81,354
Prepaid program costs	153,717
Fixed assets (net)	3,038,350
TOTAL ASSETS	$ 39,143,088
LIABILITIES	
Accounts payable	$ 132,573
Accrued salaries and vacation	37,100
Accounts payable - affiliate	98,088
Deferred compensation payable	-
Notes payable	358,930
TOTAL LIABILITIES	626,691
NET ASSETS	
Unrestricted:	
Programming services and operations	2,493,393
Net investment in fixed assets	3,038,350
Board designated endowments	30,528,775
	36,060,518
Temporarily restricted	2,455,879
TOTAL NET ASSETS	38,516,397
TOTAL LIABILITIES AND NET ASSETS	$ 39,143,088

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:	
Subsidy from OETA Foundation	$ 1,981,632
Telecasting, production and other income	299,284
State grants	335,180
Total operating revenues	2,616,096
OPERATING EXPENSES:	
Programming and production	1,885,654
Broadcasting and technical	4,066,955
Viewer support	88,347
Depreciation	2,023,962
Administration	604,028
Total operating expenses	8,668,946
Operating loss	(6,052,850)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	3,607,696
In-kind contributions	915,070
Net nonoperating revenues (expenses)	4,522,766
Income (loss) before other revenues, expenses, gains and losses	(1,530,084)
State appropriations restricted for capital assets	380,000
State capital contributions	250,000
Capital contributions received through OETA Foundation subsidy	835,451
Changes in net position	(64,633)
NET POSITION, BEGINNING OF YEAR	9,279,741
NET POSITION, END OF YEAR	$ 9,215,108

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
COMPONENT UNIT STATEMENT OF ACTIVITIES (OETA FOUNDATION)
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	$ 3,734,182	$ -	$ 3,734,182
Grants	29,500	1,627,110	1,656,610
Interest and dividends	373,992	-	373,992
Realized and unrealized gain (loss) on investments	470,532	-	470,532
Underwriting revenues	269,386	-	269,386
Rental-affiliate	231,730	-	231,730
Other	132,188	-	132,188
Net assets released from restrictions and transfers	1,248,069	(1,248,069)	-
Total support and revenues	6,489,579	379,041	6,868,620
PROGRAM SERVICES			
Subsidy to OETA	2,817,083	-	2,817,083
Programming and production	2,021,328	-	2,021,328
Program information	65,652	-	65,652
Special projects	37,154	-	37,154
Total program services	4,941,217	-	4,941,217
SUPPORTING SERVICES			
Administration and general	804,332	-	804,332
Fundraising:			
Solicitation	759,614	-	759,614
Membership services	216,388	-	216,388
Total fundraising expense	976,002	-	976,002
Total supporting services	1,780,334	-	1,780,334
Total expenses	6,721,551	-	6,721,551
CHANGE IN NET ASSETS	(231,972)	379,041	147,069
NET ASSETS, BEGINNING OF YEAR	36,292,490	2,076,838	38,369,328
NET ASSETS, END OF YEAR	$ 36,060,518	$ 2,455,879	$ 38,516,397

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

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Subsidy from OETA Foundation	$ 372,285
Federal and state grants	177,517
Receipts from telecasting, production, and other income	299,284
Payments to vendors	(826,223)
Payments to employees	(3,623,359)
Net cash flows used in operating activities	(3,600,496)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	3,987,696
Net cash flows provided by noncapital financing activities	3,987,696
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Purchases of capital assets	(12,521)
Net cash flows used in capital financing activities	(12,521)
NET CHANGE IN CASH	374,679
CASH, beginning of year	444,093
CASH, end of year	$ 818,772
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (6,052,850)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Non-cash transactions	
Depreciation	2,023,962
In-kind contributions	915,070
Changes in operating assets and liabilities	
Accounts receivable	(145,160)
Accounts payable	54,297
Accrued payroll	7,669
Compensated absences	(47,706)
Pension liability and related deferred inflows and outflows	(355,778)
Net cash flows used in operating activities	$ (3,600,496)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash	$ 438,772
Restricted cash	380,000
	$ 818,772
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL FINANCING ACTIVITIES:	
Capital assets received from the state	$ 250,000
Capital assets received through OETA Foundation subsidy	$ 835,451

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

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization –Oklahoma Education Television Authority ("OETA" or the "Authority") is an agency of the State of Oklahoma with the purpose of providing public television services to Oklahoma. OETA operates from state appropriations as well as support from Oklahoma Educational Television Authority Foundation, Inc. ("OETAF" or the "Foundation") and from in-kind contributions by the corporate community and other educational institutions.

Reporting entity – The financial reporting entity, as defined in section 2600 of the Governmental Accounting Standards Board ("GASB") Codification of Governmental Accounting and Financial Reporting Standards, includes the accounts of OETA and its discretely presented component unit, OETAF.

Discretely presented component unit – The Foundation is a legally separate, tax-exempt component unit of OETA whose board of trustees are appointed by the Authority's board of directors. The Foundation was formed to receive, invest, and expend funds from the public and grantors for the benefit of public broadcasting in Oklahoma. OETAF provides funds for OETA projects and programs, which are not funded by appropriations from the State of Oklahoma or for which existing appropriations are not adequate. Although OETA does not control the timing or amount of receipts from OETAF, the resources held by OETAF can only be used by or on behalf of public broadcasting in Oklahoma. Since the Foundation's resources can only be used to support OETA, the Foundation is considered a component unit of the Authority and is discretely presented in the Authority's financial statements. Additional and selected disclosures for the Foundation are located in this report in Note 8. Complete financial statements for the Foundation may be obtained at OETAF's office at 7403 N. Kelley Avenue, Oklahoma City, Oklahoma 73111.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Authority's financial reporting for these differences.

Financial statement presentation – The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis - For State and Local Governments*. The financial statement presentation required by GASB Statement No. 34 provides a comprehensive, entity-wide perspective of the Authority's assets, liabilities, deferred inflows and outflows of resources, net position, revenues, expenses, changes in net position and cash flows.

Basis of Accounting – For financial reporting purposes, the Authority is considered a proprietary fund. As such, the financial statements use the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of OETA are charges for production and dubbing services, charges for the use of facilities or employees, certain subsidies or grants from the Foundation and the State of Oklahoma, and broadcast royalties. Operating expenses include the cost of providing these services, administrative expenses and depreciation on capital assets.

Nonoperating revenues include activities that have characteristics of nonexchange transactions as described in section 2450 *Cash Flows Statements* of the GASB Codification. Transactions related to capital and financing activities, noncapital financing activities and investing activities are components of nonoperating revenues and expenses such as appropriations and in-kind contributions.

When OETA has both restricted or unrestricted resources available for use, it is their policy to use restricted resources first, and then unrestricted resources, as they are needed.

Cash – OETA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents. At June 30, 2015, the carrying amount of OETA's deposit with the State Treasurer was $818,772.

By State Statute, the State Treasurer is required to ensure that all State funds are either insured by the Federal Deposit Insurance Corporation, collateralized by securities held by the Federal Reserve Bank, or invested in U.S. government obligations. OETA's deposits with the State Treasurer are pooled with the funds of other State agencies, and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine in the State's name.

Restricted cash – Cash that is externally restricted to purchase capital or other assets is classified as restricted assets in the statement of net position. Restricted cash held at June 30, 2015, has been presented with current assets as accounts payable to be paid from these restricted funds are presented as current liabilities.

Receivables and payables – OETA management considers all trade and related party receivables to be fully collectible. As such, there is no provision for potentially uncollectible accounts. Accounts payable represents trade payables payable from both restricted and unrestricted resources.

Capital assets – Capital assets include land, buildings, broadcast equipment, vehicles, and office furniture and equipment. Capital assets are defined as assets with an initial, individual cost of more than $500 and an estimated useful life of at least three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donations received from the Foundation are recorded at the Foundation's cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life is not capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are as follows:

Buildings and Improvements	5-40 years
Broadcast Equipment	5-15 years
Transportation Equipment	3-5 years
Office Furniture and Equipment	3-10 years

Compensated absences – It is OETA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The maximum vacation that can be accumulated is 480 hours. There is no liability for unpaid accumulated sick leave since OETA does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred.

In-kind contributions – In-kind contributions are recorded as revenue and expenses. The contributions consist primarily of the use of land and facilities of commercial television stations and professional services. These donations are recorded at estimated fair value.

Noncurrent liabilities – Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Pensions – Employees of the Authority participate in the Oklahoma Public Employers Retirement Plan ("OPERS" or the "Plan") which is a multiple employer, cost sharing defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of OPERS and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Net position – OETA's net position is classified as follows:

> ***Invested in capital assets, net of debt*** – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> ***Restricted net position - expendable*** – consists of resources in which OETA is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
>
> ***Unrestricted net position*** – consists of all other net positions that do not meet the above definitions.

Types of Deferred Outflows and Inflows of Resources – Deferred outflows of resources are the consumption of net position that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position. Deferred inflows of resources are the acquisition of net position that is applicable to future reporting periods. Deferred inflows of resources have a negative affect on net position.

Changes in Accounting Principles **–** For the year ended June 30, 2015, the Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The following balances have been restated as of June 30, 2014 as a result of implementing this statement. Pro forma effects of the retroactive application of this statement to the preceding period's change in net position has not been presented as it is not practical to obtain such information due to the Authority's reliance on the Plan for such information.

	Deferred Costs on Pension Plans	Pension Liability, Net	Unrestricted Net Position
Balances as of June 30, 2014, as previously reported	$ -	$ -	$ 255,770
Impact of Implementing GASB Statement No. 68	359,437	1,432,830	(1,073,393)
Balances as of June 30, 2014, restated	$ 359,437	$ 1,432,830	$ (817,623)

2. CAPITAL ASSETS

OETA's capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Transfers/ Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	$ 26,272	$ -	$ -	$ -	$ 26,272
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	26,272	-	-	-	26,272
Capital assets, being depreciated:					
Building and improvements	5,242,865	-	-	-	5,242,865
Broadcast equipment	31,914,730	1,680,249	-	-	33,594,979
Transportation equipment	108,853	-	-	-	108,853
Office furniture and equipment	789,648	28,942	-	-	818,590
Total capital assets, being depreciated	38,056,096	1,709,191	-	-	39,765,287
Less: Accumulated depreciation for:					
Building and improvements	(2,584,662)	(189,335)	-	-	(2,773,997)
Broadcast equipment	(24,567,488)	(1,801,641)	-	-	(26,369,129)
Transportation equipment	(107,745)	(77)	-	-	(107,822)
Office furniture and equipment	(725,119)	(32,909)	-	-	(758,028)
Total accumulated depreciation	(27,985,014)	(2,023,962)	-	-	(30,008,976)
Total capital assets, being depreciated, net	10,071,082	(314,771)	-	-	9,756,311
Total capital assets	$ 10,097,354	$ (314,771)	$ -	$ -	$ 9,782,583

Included in the above totals is approximately $3,627,600 for June 30, 2015 in related cost from federal grants for the DTV conversion project that holds liens. OETA has granted a priority reversionary interest in this equipment back to the federal government per grant requirements. These grants expire in 6/2016, 4/2017, 3/2019 and 9/2021. The liens are for ten year periods.

3. LEASES

The Authority is involved in various operating leases for office and production space and equipment, translator sites, satellite transponder services, transmission facilities and fiber connections. Leases are generally renewable on a monthly / annual basis or can be canceled within a short timeframe. Rental expense for the year ended June 30, 2015 was $1,351,340. Included in rental expense is a subsidy of $231,730 from the OETA Foundation for the use of the Tulsa studio. The Tulsa studio was constructed for the use of the Authority, therefore the Authority will recognize a subsidy for the annual benefit for the use of the studio. Future minimum lease payments for non-cancelable leases as of June 30, 2015 are as follows:

2016	$ 434,700
2017	120,375
2018	15,600
2019	15,600
2020	15,600
Thereafter	1,112,000
	$ 1,713,875

The Authority entered into a lease agreement to lease the Authority's excess capacity on various channels to a wireless communications provider at a cost of $8,500 per month through April 2017. Lease income earned by the Authority totaled $102,000 for the year ended June 30, 2015. Future minimum rental income to be received by the Authority for non-cancelable leases as of June 30, 2015 includes $102,000 and $76,500 to be received during the years ended June 30, 2016 and 2017, respectively.

4. NONCURRENT LIABILITIES

Noncurrent liabilities at June 30, 2015 and changes for the fiscal year then ended are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	$ 279,665	$ 139,723	$ (187,429)	$ 231,959	$ 173,043

5. RETIREMENT PLANS

General Information about the Pension Plan – *Plan description.* The following brief description of the Plan is provided for general information purposes only. Participants should refer to Title 74 of the Oklahoma Statutes, Sections 901 through 932 and 935, as amended, for more complete information. The Plan is a multiple employer, cost sharing public employee retirement plan, which is a defined benefit pension plan covering substantially all state employees except employees covered by six other plans sponsored by the State. It also covers employees of participating county and local agencies.

The Plan is administered by the Oklahoma Employees Retirement System, a component unit of the State of Oklahoma. The authority to establish and amend benefit provisions rests with the State Legislature. The supervisory authority for the management and operation of the Plan is the Plan's Board of Trustees, which acts as a fiduciary for investment of the funds and the application of Plan interpretations. The Plan issues a publicly available financial report that includes financial statements and supplementary information for the Plan which can be obtained at www.opers.ok.gov.

Benefits provided: Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary(ies) in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a $5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

Legislation was enacted in 1999 which provided a limited additional benefit for certain terminated members eligible to vest as of July 1, 1998. This limited benefit is payable as an additional $200 monthly benefit upon the member's retirement up to the total amount of certain excess contributions paid by the participant to the Plan. In April 2001, limited benefit payments began for qualified retired members.

Contributions: The contribution rates for the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation. For 2015, state agency employers contributed 16.5% on all salary, and state employees contributed 3.5% on all salary. Members have the option to elect to increase the benefit computation factor for all future service from 2.0% to 2.5%. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91% which is actuarially determined. Contributions to the pension plan from OETA were $371,848 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, OETA reported a liability of $236,029 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. OETA's proportion of the net pension liability was based on the manner in which contributions are made to the Plan by OETA relative to all participating employers' contributions, excluding those to separately finance specific liabilities of an individual employer. At June 30, 2014, OETA's proportion was 0.12858103 percent.

For the year ended June 30, 2015, OETA recognized pension expense of $16,070.

At June 30, 2015, OETA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 78,143
Changes of assumptions	13,507	-
Net difference between projected and actual earnings on pension plan investments	-	788,798
OETA and employee contributions subsequent to the measurement date	371,848	-
Total	$ 385,355	$ 866,941

$371,848 reported as deferred outflows of resources related to pensions resulting from OETA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30:	
2016	$ (227,403)
2017	(227,403)
2018	(201,428)
2019	(197,200)
	$ (853,434)

***Actuarial assumptions**:* The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment return – 7.5% compounded annually net of investment expense and including inflation
- Salary increases – 4.5% to 8.4% per year including inflation
- Mortality rates – Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate – 3.0%
- Payroll growth – 4.0% per year
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2113 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of OETA's proportionate share of the net pension liability to changes in the discount rate: The following presents OETA's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what OETA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
OETA's proportionate share of the net pension liability (asset)	$ 1,469,458	$ 236,029	$ (812,563)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

6. RISK MANAGEMENT

OETA, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the state insurance fund, public risk pools. OETA pays an annual premium to the pools for its torts, property and workers compensation insurance coverage. The Oklahoma Risk Management Pool's governing agreements specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carrier for claims in excess of specified stop-loss amounts.

7. GRANTS FROM CORPORATION FOR PUBLIC BROADCASTING

OETA receives several grants from the Corporation for Public Broadcasting. These grants, including the Community Service Grant ("CSG"), are received by the OETA Foundation as it has been designated the alternate payee by OETA. As the alternate payee, the Foundation receives the funds and disburses them at the discretion of OETA. The amount OETA has authorized for disbursements on this grant is included in the revenue line item labeled subsidy from OETA Foundation and in the appropriate expense classification in the statement of revenues, expenses and changes in net position or in fixed assets on the statement of net position. The cash from the grant that has been received, but not yet disbursed, is recognized on the Foundation's statement of financial position as restricted cash. This cash has not been recognized on OETA's Statement of Net Position. The amount of revenue recognized related to the CSG for June 30, 2015 totaled $2,343,770. The restricted cash reported on the Foundation's statement of financial position held on-behalf of OETA for June 30, 2015 totaled $2,455,879.

8. OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY FOUNDATION, INC. – DISCRETELY PRESENTED COMPONENT UNIT

Nature of Organization and Summary of Significant Accounting Policies

Organization and nature of activities – Oklahoma Educational Television Authority Foundation, Inc. (the "Foundation") was incorporated May 26, 1983. The Foundation was formed to receive, invest and expend funds from the pubic and grantors. The Foundation, through the contributions it receives and revenues it generates, provides funds for Oklahoma Educational Television Authority ("OETA") projects and programs which are not funded by appropriations from the State of Oklahoma or for which existing appropriations are inadequate. The Board of Trustees of the Foundation is appointed by the Board of Directors of OETA.

Basis of accounting – The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and liabilities.

Basis of presentation **–** The Foundation is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> ***Unrestricted net assets*** **-** Net assets not subject to donor-imposed stipulations.
>
> ***Temporarily restricted net assets*** **-** Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and

reported in the statement of activities as net assets released from restrictions. As of June 30, 2015 and 2014, all temporarily restricted net assets are related to the Community Services Grant.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of June 30, 2015 or 2014.

Restricted cash – Restricted cash represents funds received from third parties who require such funds to be maintained separately for restricted use as directed by the third parties.

Contributions and promises to give – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of the individual pledges.

Prepaid program costs – Costs incurred for programs not yet telecast relate to programs that will be aired principally in the next fiscal year. As the programs are telecast, the costs incurred will be included in operating expenses.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounting Estimates – Estimates that are particularly susceptible to significant change include the valuation of investments. Investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these financial instruments, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized. Expenses relating to investment revenues, including custodial fees and investment advisory fees, totaled $114,861 and $111,864 for the years ended June 30, 2015 and 2014, respectively, and have been netted against investment revenues in the accompanying Statement of Activities.

Fair Value Measurements – The Foundation follows ASC Topic 820, Fair Value Measurements, which provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

The Foundation may have assets which are measured at net asset value per share ("NAV"). If the Foundation has the ability to redeem its investment with the investee at NAV at the measurement date or within ninety days of the measurement date, the fair value of the asset is categorized as a Level 2 fair value measurement. If the Foundation will never have the ability to redeem its investment with the investee at NAV or they cannot redeem its investment within ninety days of the measurement date, the Foundation categorizes the asset as a Level 3 measurement.

Financial assets subject to fair value measurement disclosure requirements include investments (see Note 3). The Foundation has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2015.

Fixed assets and depreciation – Fixed assets include transportation equipment, furniture, computers and equipment, and buildings and improvements. Fixed assets are defined as assets with an initial, individual cost of more than $500 and an estimated useful life of more than one year.

Fixed assets are stated at cost or, in the case of donated fixed assets, at their estimated fair value at the date of receipt. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis. No property impairments were recorded during the year ended June 30, 2015. Estimated useful lives of fixed assets are as follows:

Transportation equipment	3 years
Furniture, computers and equipment	3-15 years
Buildings and improvements	5-40 years

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of credit risk – The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2015 and 2014, the Foundation had $4,178,826 and $4,361,232, respectively, of deposits in excess of FDIC insured limits.

For the years ended June 30, 2015 and 2014, $1,627,110 and $1,530,979, respectively, of the Foundation's grant revenue (98% and 95%, respectively) are received from the Corporation for Public Broadcasting.

Subsequent events – The Foundation has evaluated subsequent events through October 9, 2015, which is the date the financial statements were available to be issued.

Pledges Receivable

Pledges receivables are unrestricted. These unconditional promises to give are expected to be received by the Foundation in less than one year, and are reported net of an allowance of $66,500 and $49,500 at June 30, 2015 and 2014, respectively. Unconditional promises to give are primarily from individuals located throughout the state of Oklahoma.

Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2015, are as follows:

	Level 1	Level 2	Level 3	Total
ASSETS				
Investments:				
Common and preferred stock				
Consumer discretionary	$ 401,607	$ -	$ -	$ 401,607
Consumer staples	165,390	-	-	165,390
Energy	93,086	-	-	93,086
Financials	241,022	-	-	241,022
Health care	304,775	-	-	304,775
Industrials	235,193	-	-	235,193
Information technology	400,927	-	-	400,927
Materials	61,125	-	-	61,125
Telecommunications services	17,248	-	-	17,248
Exchange traded funds	51,743	-	-	51,743
Mutual funds				
Alternative investments	1,735,633	-	-	1,735,633
Equity	11,168,640	-	-	11,168,640
Fixed income	8,592,711	-	-	8,592,711
Real estate	475,045	-	-	475,045
Fixed income				
Collateralized mortgage obligations	-	217,131	-	217,131
Corporate bonds	-	102,426	-	102,426
Mortgage-backed securities	2,377,857	-	-	2,377,857
Real estate investment trust	-	-	140,000	140,000
Total Investments	26,322,002	319,557	140,000	26,781,559
Total assets accounted for at fair value	$ 26,322,002	$ 319,557	$ 140,000	$ 26,781,559

Investments: Level 1, the fair values of mutual funds, equity securities, exchange traded funds, corporate bonds, and mortgage-backed securities are based on quoted market prices for active markets, where available. *Level 2,*if quoted market prices for active markets are not available, fair values are obtained from pricing services, based on quoted market prices of comparable instruments, bid/ask quotes or the use of discounted cash flows models, using observable inputs such as current yields, credit risks, and prepayment speeds. *Level 3, Real Estate Investment Trust ("REIT"):* This holding in one REIT is valued on a bi-annual basis by the investment managers. They use a combination of two valuation methods, first the REIT asset is valued based on a valuation of assets and then an income based model is used. There were no transfers between classes.

Assets valued at fair value on a recurring basis using significant unobservable inputs (level 3) at June 30, 2015 include:

Balance at beginning of year	$	240,000
Settlements		(100,000)
Balance at end of year	$	140,000

Notes Payable

The Foundation has a 3% note payable to Bank of Oklahoma with a balance due of $358,930 and $1,106,678 as of June 30, 2015 and 2014, respectively. Effective May 21, 2015, this note was restructured to interest only monthly payments with the outstanding principal due on January 7, 2019. The note payable is secured by the investments held in the facilities endowment fund maintained at Bank of Oklahoma. The fair market value and carrying amount of these investments as of June 30, 2015 and 2014 was approximately $12,256,000 and $12,381,000, respectively. The scheduled principal maturities for the next five year are zero each year for the years ended June 30, 2016 through 2018 with $358,930 due during the year ended June 30, 2019.

Board Designated Endowment Funds

As of June 30, 2015 and 2014, the Board of Trustees had designated $30,528,775 and $31,343,561 of unrestricted net assets into four general endowments to support the mission and programs of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

For the Legacy for Excellence and the Facilities fund, the Foundation has spending policies of appropriating for distribution each year 5% of its board-designated endowment funds' average fair value of the prior twelve quarters through the end of the fiscal year preceding the year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected investment return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowments to grow at modest rates. This is consistent with the Foundation's objective to maintain the purchasing power of the assets as well as to provide additional real growth through investment return.

To achieve this objective, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the designated annual distributions, while growing the fund if possible. Accordingly, the Foundation expects its endowment assets, over time to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Board has designated unrestricted net assets for the following purposes:

Programming-This fund is intended to be kept intact and only its earnings to be used for the underwriting of special projects of OETA and programming that OETA could not otherwise afford.

Facilities-This fund is intended to be kept intact and only its earnings to be used for the upgrade of facilities. The fund makes distributions into the Facilities Endowment Grant Account for matching purposes.

Facilities Endowment Grant-This fund is to be used as matching funds for grants from federal, state and other private sources in support of OETA's equipment and facility needs.

Legacy for Excellence-This fund is used to accept gifts from estates and trusts to be used for general purposes of OETA and the Foundation.

Composition of and changes in unrestricted endowment net assets for the year ended June 30, 2015, is as follows:

	Programming	Facilities	Facilities Endowment Grant	Legacy for Excellence	Total
Beginning of the year	$ 16,441,405	$ 12,381,089	$ 879,999	$ 1,641,068	$ 31,343,561
Investment income	260,597	211,126	10	28,679	500,412
Investment fees	(59,484)	(45,171)	(3,718)	(6,818)	(115,191)
Contributions	-	-	558,748	13,364	572,112
Realized and unrealized gains (losses) on investments	200,657	267,655	-	2,220	470,532
Amounts appropriated for expenditure	(732,029)	(558,748)	(879,861)	(72,013)	(2,242,651)
	$ 16,111,146	$ 12,255,951	$ 555,178	$ 1,606,500	$ 30,528,775

* * * * * *

OKLAHOMA EDUCATIONAL TELEVISION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION -- UNAUDITED
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE OF OETA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal year ended	OETA's proportion of the net pension liability	OETA's proportionate share of the net pension liability	OETA's covered-employee payroll	OETA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2015	0.1286%	$ 236,029	$ 2,275,912	10.37%	97.90%

SCHEDULE OF OETA CONTRIBUTIONS

Fiscal year ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	OETA's covered-employee payroll	Contributions as a percentage of covered-employee payroll
6/30/2015	$ 371,848	$ (371,848)	$ -	$ 2,275,912	16.34%
6/30/2014	359,437	(359,437)	-	2,153,255	16.69%
6/30/2013	372,047	(372,047)	-	2,236,757	16.63%
6/30/2012	371,047	(371,047)	-	2,235,945	16.59%
6/30/2011	387,079	(387,079)	-	2,474,962	15.64%
6/30/2010	435,369	(435,369)	-	2,739,614	15.89%
6/30/2009	400,690	(400,690)	-	2,835,649	14.13%
6/30/2008	367,017	(367,017)	-	2,713,305	13.53%
6/30/2007	308,678	(308,678)	-	2,465,205	12.52%
6/30/2006	260,448	(260,448)	-	2,296,966	11.34%

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

To the Board of Directors
Oklahoma Educational Television Authority
Oklahoma City, Oklahoma

We have audited the financial statements and discretely presented component unit of the Oklahoma Educational Television Authority ("OETA" or the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 12, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Oklahoma Educational Television Authority Foundation, Inc. (the "Foundation") were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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.

HSPG & Associates, P.C.

October 12, 2015