

KOYA RADIO  
(A Department of Rosebud Sioux Tribe)  
Financial and Compliance Audit Report  
For the Years Ended September 30, 2017 and 2016



# KOYA RADIO

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## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
KOYA Radio  
Rosebud Sioux Tribe  
Rosebud, South Dakota**

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

We have audited the accompanying financial statements of the governmental activities and the general fund of KOYA Radio (the "Station"), a department of Rosebud Sioux Tribe, as of and for the years ended September 30, 2017 and 2016, and the related notes to the 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinions.

**KOYA Radio  
Independent Auditor's Report**

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of KOYA Radio, as of September 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Station are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of Rosebud Sioux Tribe that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Rosebud Sioux Tribe as of September 30, 2017 and 2016 or the changes in its financial position, for the years then ended in accordance with the accounting principles generally accepted in the United States of America. 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 a management's discussion and analysis on pages 5 through 9 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 audit 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018 on our consideration of the Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KOYA Radio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Station's internal control over financial reporting and compliance.

*Wipfli LLP*

**Great Falls, Montana  
May 14, 2018**

**KOYA Radio**  
**(A Department of Rosebud Sioux Tribe)**

**Management Discussion and Analysis**

**For the Year Ended September 30, 2017**

**Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KOYA Radio Station (the “Station”) for the year ended September 30, 2017. Management of the Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KOYA was originally licensed to Rosebud Sioux Tribe on March 15, 2011 and will expire on April 1, 2021. The Station operates on 88.1 FM serving Rosebud, South Dakota and the surrounding communities. The Station offers a variety of educational programming, national and local news, sports and musical entertainment.

The Station is a department of Rosebud Sioux Tribe (the “Tribe”), reporting directly to Tribal Council, and operated under an FCC license issued to the Tribe. The Tribe appropriates operating funds for the Station through payments made through the Tribe’s General Fund on behalf of the Station. The Tribe provides indirect administrative support for the Station including financial management and reporting, human resources, facility maintenance, purchasing, and information technology support.

The Station's financial activities are managed under policies and procedures of the Tribe’s Finance Department and adopted policies of the Tribe and are subject to the internal audit and control of the Finance Department. The separate external audit of the Station for fiscal year 2017 was conducted to comply with the Corporation for Public Broadcasting (CPB) requirements. CPB is a private, nonprofit corporation created by Congress. CPB is not a governing agency and promotes telecommunications services (television, radio and on-line) for the American People.

**Overview of the Financial Statements**

This annual report consists of three parts:

1. Management's Discussion and Analysis.
2. Basic Financial Statements.
3. Notes to the Basic Financial Statements.

The government-wide financial statements and the fund financial statements are the basic financial statements under Governmental Accounting Standards Boards (GASB) reporting standards. These statements are prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

**KOYA Radio**  
**(A Department of Rosebud Sioux Tribe)**  
**Management Discussion and Analysis**  
**For the Year Ended September 30, 2017**

**Department-Wide Statements**

The statement of net position and the statement of activities provide both long-term and short-term information about the Station's overall financial status. These financial statements are designed to provide readers with a broad overview of the Station's finances, in a manner similar to a private-sector business. Financial information reported in the department-wide financial statements is presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenditures are recognized when incurred.

The statement of net position presents information on all of the Station's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the organization is improving or deteriorating.

The statement of activities presents information showing how the Station's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued leave).

**Fund Financial Statements**

The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance provide detailed information about the operating fund. All of the Station's basic services are reported in the operating fund. These statements provide a short-term view of the governmental operations and the services it provides, essentially measuring cash and other financial assets that can be readily converted to cash. We describe the relationships and differences between these fund financial statements and the statement of net position and statement of activities at the bottom of the fund financial statements.

The Station's operating fund is a governmental fund and therefore its focus is on how cash and other financial assets flow in and out, and the balances left at year-end that are available for spending. Governmental funds provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs.

The notes to the financial statements provide required disclosures and other information that is essential to gain a complete understanding of the data provided in the statements. The notes present information about the Station's accounting principles, the Station's significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**KOYA Radio**  
**(A Department of Rosebud Sioux Tribe)**

**Management Discussion and Analysis**

**For the Year Ended September 30, 2017**

**Resources/Financial Analysis**

Total current assets are primarily comprised of cash and cash equivalents. Total current assets increased by approximately 157% (or \$74,233) primarily due to the increase in unspent grant funds.

Total noncurrent assets are comprised of capital assets. Total noncurrent assets did not materially change during the fiscal year.

Current liabilities are comprised of accrued expenses and amounts owed to the Tribe. Current liabilities decreased by approximately 22 percent (or \$666) primarily due to timing of accounts payable and accrued liabilities.

Total net position is comprised of investment in capital assets, restricted net position, and unrestricted net position. Total net position increased by approximately 26 percent (or \$56,918) primarily due to the Station receiving more grant funds than it spent during the fiscal year.

**Condensed Statements of Net Position**

Below are the condensed statements of net position of the Station as of and for the years ended September 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
<b>Assets</b>			
Current Assets	121,623	47,390	156.64%
Capital Assets, net	154,089	172,070	-10.45%
<b>Total Assets</b>	<b>275,712</b>	<b>219,460</b>	<b>25.63%</b>
<b>Liabilities</b>			
Current Liabilities	2,366	3,032	-21.97%
<b>Total Liabilities</b>	<b>2,366</b>	<b>3,032</b>	<b>-21.97%</b>
<b>Net Position</b>			
Investment in Capital Assets	154,089	172,070	-10.45%
Restricted Net Position	113,063	41,371	173.29%
Unrestricted	6,194	2,987	107.37%
<b>Total Net Position</b>	<b>273,346</b>	<b>216,428</b>	<b>26.30%</b>

**KOYA Radio**  
**(A Department of Rosebud Sioux Tribe)**

**Management Discussion and Analysis**

**For the Year Ended September 30, 2017**

**Revenues and Expenses**

Grants and contracts revenue did not materially change during the fiscal. Other revenue increased by approximately 68% (or \$10,657) primarily due to an increase in sponsorships and local advertisements. Transfers in represent amounts received from the Tribe through payments made by the Tribe's General Fund on behalf of the Station. Transfers in did not materially change during the fiscal year.

Expenses from governmental activities decreased by approximately 10% (or \$30,346) during the fiscal year primarily due to decrease in non-capitalized equipment purchases during the fiscal year.

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

Below are the condensed statements of activities of the Station as of and for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Programming and production	144,076	144,816	-0.51%
<b>General Revenues</b>			
Other	26,368	15,711	67.83%
<b>Total Revenues</b>	<u>170,444</u>	<u>160,527</u>	<u>6.18%</u>
<b>Expenses</b>			
<b>Program Expenses</b>			
Programming and production	111,795	254,046	-55.99%
Broadcasting and engineering	71,481	18,284	290.95%
Program information and promotion	15,430	2,500	517.20%
Management and general	72,136	13,857	420.57%
Fund raising and membership development	-	12,501	
Unallocated depreciation	17,981	17,981	0.00%
<b>Total Expenses</b>	<u>288,823</u>	<u>319,169</u>	<u>-9.51%</u>
<b>Decrease in Net Position Before Transfers</b>	(118,379)	(158,642)	-25.38%
<b>Transfers In</b>	<u>175,297</u>	<u>179,717</u>	<u>-2.46%</u>
<b>Change in Net Position</b>	56,918	21,075	170.07%
<b>Net Position, Beginning of Year</b>	<u>216,428</u>	<u>195,353</u>	<u>10.79%</u>
<b>Net Position, End of Year</b>	<u>273,346</u>	<u>216,428</u>	<u>26.30%</u>



**KOYA Radio**  
**(A Department of Rosebud Sioux Tribe)**  
**Management Discussion and Analysis**  
**For the Year Ended September 30, 2017**

**One, Three, and Five-Year Plan**

Listed below is the Station's one, three, and five-year plans and objectives.

**1 YEAR PLAN**

- Bring KOYA into compliance with FCC documentation (Public File, Monthly reports, Quarterly reports).
- Register KOYA and upload required FCC documentation online (FCC government site).
  - Develop a Mission Statement.
- Develop a website to upload information to meet educational radio station posting requirements.
- Write, produce, and distribute 'Living Lakota', an in-house produced 30-minute show where elders share their early experiences and stories. This show was developed to promote cultural awareness and identity.
  - Develop and determine underwriter policy.
  - Develop and determine KOYA rates for underwriter support.

**3 YEAR PLAN**

- Acquire cultural-based programs from outside resources to bolster our commitment to provide more cultural programming to our listeners.
- Make KOYA-FM more diverse in its music programming to offer our listeners true variety.
- Ramp up more public events/activities (youth dances, open house, on-site broadcasts) to bolster public relations with our listeners.
  - Upgrade computers and phone system.
- Seek our community volunteers to DJ on evenings and after hour shifts.

**5 YEAR PLAN**

- Add more support staff (receptionist, news director).
  - Renovate our 40-year old building (flooring, carpet, tile, paint etc.).
- Renovate our recording/production studio (mixing board, microphones, doors, sound-proof materials).
  - Create billboards and outdoor signs for promotion of KOYA-FM.

## ***Financial Statements***

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Statements of Net Position**

**September 30, 2017 and 2016**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash	\$ 8,357	\$ 6,019
Restricted cash	113,063	41,371
Employee receivable	203	
Capital assets, net	<u>154,089</u>	<u>172,070</u>
<b>Total assets</b>	<u>275,712</u>	<u>219,460</u>
<b>Liabilities</b>		
Accounts payable		1,410
Accrued liabilities	514	1,098
Due to Tribe	<u>1,852</u>	<u>524</u>
<b>Total liabilities</b>	<u>2,366</u>	<u>3,032</u>
<b>Net position</b>		
Investment in capital assets	154,089	172,070
Restricted	113,063	41,371
Unrestricted	<u>6,194</u>	<u>2,987</u>
<b>Total net position</b>	<u>\$ 273,346</u>	<u>\$ 216,428</u>

See Accompanying Notes to the Financial Statements.

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Statements of Activities**

**For the Years Ended September 30, 2017 and 2016**

			<b>Program Revenues</b>	
	<b>Expenses</b>	<b>Expenses</b>	<b>Operating Grants and Contributions</b>	<b>Operating Grants and Contributions</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b><u>Functions/Programs</u></b>				
Governmental activities				
Programming and production	\$ 111,795	\$ 254,046	\$ 144,076	\$ 144,816
Broadcasting and engineering	71,481	18,284		
Program information and promotion	15,430	2,500		
Management and general	72,136	13,857		
Fund raising and membership development		12,501		
Unallocated depreciation	17,981	17,981		
Total governmental activities	<u>288,823</u>	<u>319,169</u>	<u>144,076</u>	<u>144,816</u>
<b>General revenues</b>				
Other income				
Transfers in				
<b>Total general revenues and transfers</b>				
<b>Change in net position</b>				
<b>Net position - beginning of year</b>				
<b>Net position - ending</b>				

See Accompanying Notes to the Financial Statements.

Net (Expense) Revenue and Changes in Net Position
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Governmental Activities
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2017	2016
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\$	32,281	\$	(109,230)
	(71,481)		(18,284)
	(15,430)		(2,500)
	(72,136)		(13,857)
			(12,501)
	(17,981)		(17,981)
	<u>(144,747)</u>		<u>(174,353)</u>
	26,368		15,711
	<u>175,297</u>		<u>179,717</u>
	<u>201,665</u>		<u>195,428</u>
	56,918		21,075
	<u>216,428</u>		<u>195,353</u>
\$	<u><u>273,346</u></u>	\$	<u><u>216,428</u></u>

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Balance Sheets - Governmental Funds**

**September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash	\$ 8,357	\$ 6,019
Restricted cash	113,063	41,371
Employee receivable	<u>203</u>	<u>          </u>
<b>Total assets</b>	<u><u>121,623</u></u>	<u><u>47,390</u></u>
<b>Liabilities and fund balance</b>		
Liabilities		
Accounts payable		1,410
Accrued liabilities	514	1,098
Due to Tribe	<u>1,852</u>	<u>524</u>
Total liabilities	<u><u>2,366</u></u>	<u><u>3,032</u></u>
 Fund balance		
Restricted	113,063	41,371
Unassigned	<u>6,194</u>	<u>2,987</u>
Total fund balances	<u><u>119,257</u></u>	<u><u>44,358</u></u>
<b>Total Liabilities and fund balances</b>	<u><u>\$ 121,623</u></u>	<u><u>\$ 47,390</u></u>
 <b>Total government fund balances</b>	 \$ 119,257	 \$ 44,358
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>154,089</u>	<u>172,070</u>
<b>Net position - governmental activities, per statement of net position</b>	<u><u>\$ 273,346</u></u>	<u><u>\$ 216,428</u></u>

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Statements of Revenues, Expenditures and Changes in  
Fund Balance - Governmental Funds**

**For the Years Ended September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Grants and contracts	\$ 144,076	\$ 144,816
Other revenue	<u>26,368</u>	<u>15,711</u>
<b>Total revenues</b>	<u>170,444</u>	<u>160,527</u>
<b>Expenditures</b>		
Current		
Management and general	72,136	13,857
Program information and promotion	15,430	2,500
Programming and production	111,795	254,046
Broadcasting and engineering	71,481	18,284
Fund raising and membership development	<u>12,501</u>	<u>12,501</u>
Total expenditures	<u>270,842</u>	<u>301,188</u>
Revenues over (under) expenditures	<u>(100,398)</u>	<u>(140,661)</u>
<b>Other financing sources</b>		
Transfers in	<u>175,297</u>	<u>179,717</u>
<b>Total other financing sources</b>	<u>175,297</u>	<u>179,717</u>
<b>Net change in fund balances</b>	74,899	39,056
<b>Fund balances, beginning of year</b>	<u>44,358</u>	<u>5,302</u>
<b>Fund balances, end of year</b>	<u>\$ 119,257</u>	<u>\$ 44,358</u>
<b>Net change in fund balances - governmental funds</b>	\$ 74,899	\$ 39,056
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense	<u>(17,981)</u>	<u>(17,981)</u>
<b>Change in net position of governmental activities</b>	<u>\$ 56,918</u>	<u>\$ 21,075</u>

## ***Notes to the Financial Statements***



**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 1 - Nature of Operations and Significant Accounting Policies**

**A. Nature of Operations**

KOYA Radio (the "Station") is a department of Rosebud Sioux Tribe (the "Tribe"). The Station's primary function is to provide public broadcasting to the people of the Rosebud Reservation and surrounding communities. The Station is governed by a Board of Directors and follows the operating and accounting policies of the Tribe. Funding sources for the Station include grants from the Corporation for Public broadcasting, cost reimbursements from the Tribe, and business underwriting of public service announcements.

**B. Significant Accounting Policies**

**Reporting Entity**

The Station is one of several departments of the Tribe, not a separate legal entity. The financial statements present only the financial position of the Station and do not purport to, and do not, present fairly the financial position of the Tribe, and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. Therefore, the financial statements for the Station do not include assets and liabilities of the Tribe that do not relate to the Station.

**Basis of Presentation**

**Financial Statements**

The basic financial statements of the Station include the Department-wide and the fund financial statements.

**Department-Wide Financial Statements**

The Department-wide statement of net position and statement of activities display information about the Station. These statements include the financial activities of the overall Station.

The Department-wide statement of activities reflects the cost of programs and functions (programming and production, broadcasting and engineering, management and general, etc.) reduced by directly associated revenues (program income, and operating and capital grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expense for governmental activities are then adjusted for general revenues to determine the change in net position for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are not allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

**Fund Financial Statements**

The fund financial statements provide information about the Station's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Station's only major fund is the general fund, which accounts for all its financial resources. The Station does not have any proprietary funds.

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

**B. Significant Accounting Policies - Continued**

**Basis of Accounting and Measurement Focus**

The department-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method revenue is recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenue is recognized when measurable and available. The Station considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

**Capital Assets and Depreciation**

Capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Governmental Funds Asset Category	Capitalization Threshold	Years
Buildings and improvements	5,000	5 to 40
Furniture, fixtures and equipment	5,000	4-15

Depreciation is provided using the straight-line method over estimated useful lives.

**Compensated Absences**

The KOYA Radio employees accrue up to 160 hours of annual leave. Leave is accrued each pay period according to years of service. Unpaid accrued annual leave will be paid to the employee upon termination. The Tribe maintains the accrual for unpaid annual leave; therefore, a liability is not included in the Station's financial statements. The Station records an expenditure upon utilization of accrued leave by current employees or upon termination of employees.

**Fund Balances and Net Position**

The financial statements have been presented in accordance with the reporting model required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

**B. Significant Accounting Policies - Continued**

In the department-wide financial statements, equity is classified as net position and displayed in three components:

**Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any borrowing that is attributable to the acquisition or improvement of those assets.

**Restricted** - Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, or laws and regulations of other governments; or (b) law through enabling legislation.

**Unrestricted** - All net position that does not meet the definitions above.

GASB Statement No. 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash, such as inventories, prepaid amounts, and long-term notes receivable, or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

**Restricted** - fund balances that are restricted for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed** - fund balances that can only be used for the specific purposes determined by a formal action of the Station's highest level of decision-making authority, the Board of Trustees. Commitments may be changed or lifted only by the Station taking the same formal action that imposed the constraint originally (for example a resolution or ordinance).

**Assigned** - fund balances that are intended to be used by the Station for specific purposes that are neither restricted nor committed. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purposes that is narrower than the general purposes of the Station itself.

**Unassigned** - fund balances of the general fund that are not constrained for any particular purposes. It is also the residual classification for all negative fund balances.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies - Continued**

**B. Significant Accounting Policies - Continued**

**Federal and State Income Taxes**

The Station, as a department of Rosebud Sioux Tribe, is exempt from Federal and State income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

**Budgetary Data**

A budget is not formally adopted for the Station, as it is not legally required. Therefore, presentation of budgetary comparison information is not required supplementary information.

**Note 2 - Cash**

At September 30, 2017 and 2016, cash consisted of the following:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash in bank	\$ <u>121,420</u>	\$ <u>47,390</u>
Total cash	\$ <u><u>121,420</u></u>	\$ <u><u>47,390</u></u>

At September 30, 2017, the carrying amount of deposits was \$121,420 and the bank balance was \$123,554. Custodial credit risk is the risk that, in the event of a bank failure, the Station's deposits may not be returned to it. All of the bank balance was covered by pledged collateral held in the name of the bank.

**Note 3 - Restricted Cash**

The Station had restricted cash of \$113,063 as of September 30, 2017 for purposes of the Corporation for Public Broadcasting grant.

**Note 4 - Capital Assets**

Capital assets activity for the year ended September 30, 2017, is summarized as follows:

	<b><u>Balance</u></b> <b><u>10/1/2016</u></b>	<b><u>Additions</u></b>	<b><u>Balance</u></b> <b><u>9/30/17</u></b>
Capital assets being depreciated			
Buildings and improvements	\$ 8,527		\$ 8,527
Equipment, furniture, and fixtures	<u>267,143</u>		<u>267,143</u>
Total capital assets being depreciated	<u>275,670</u>	<u>0</u>	<u>275,670</u>
Less accumulated depreciation			
Buildings and improvements	(1,194)	\$ (171)	(1,365)
Equipment, furniture, and fixtures	<u>(102,406)</u>	<u>(17,810)</u>	<u>(120,216)</u>
Total accumulated depreciation	<u>(103,600)</u>	<u>(17,981)</u>	<u>(121,581)</u>
Net capital assets being depreciated	<u>172,070</u>	<u>(17,981)</u>	<u>154,089</u>
<b>Capital assets, net</b>	<b><u>\$ 172,070</u></b>	<b><u>\$ (17,981)</u></b>	<b><u>\$ 154,089</u></b>

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 4 - Capital Assets - Continued**

Capital assets activity for the year ended September 30, 2016, is summarized as follows:

	Balance 10/1/2015	Additions	Balance 9/30/16
Capital assets being depreciated			
Buildings and improvements	\$ 8,527		\$ 8,527
Equipment, furniture, and fixtures	<u>267,143</u>		<u>267,143</u>
Total capital assets being depreciated	<u>275,670</u>	<u>0</u>	<u>275,670</u>
Less accumulated depreciation			
Buildings and improvements	(1,023)	\$ (171)	(1,194)
Equipment, furniture, and fixtures	<u>(84,596)</u>	<u>(17,810)</u>	<u>(102,406)</u>
Total accumulated depreciation	<u>(85,619)</u>	<u>(17,981)</u>	<u>(103,600)</u>
Net capital assets being depreciated	<u>190,051</u>	<u>(17,981)</u>	<u>172,070</u>
<b>Capital assets, net</b>	<b><u>\$ 190,051</u></b>	<b><u>\$ (17,981)</u></b>	<b><u>\$ 172,070</u></b>

**Note 5 - Retirement Plan**

The Station participates in the Tribe's defined contribution 401(k) retirement plan (the "Plan") for the benefit of its employees, effective July 1, 2005. The Plan was amended on January 1, 2013. Generally, the Plan's guidelines are as follows:

- each employee is entitled to participate in the Plan after three months of eligible employment and the attainment of age eighteen;
- a participant's contributions are fully vested;
- the employer matches employee contributions to the Plan up to 5% of the employee's salary.

During the years ended September 30, 2017 and 2016, the Station remitted matching contributions to the Plan of approximately \$1,837 and \$1,208, respectively. During the same time periods, the employees contributed approximately \$1,909 and \$2,885, respectively, to the Plan.

**Note 6 - Transfers and Related Party Transactions**

The Tribe transferred \$175,297 and \$179,717 to the Station for the years ended September 30, 2017 and 2016, respectively, for operating expenses. The Station owed the Tribe \$1,852 as of September 30, 2017 for indirect cost expense and payroll expense reimbursements. The Station owed the Tribe \$524 as of September 30, 2016 for indirect cost expense.

**Note 7 - Risk Management**

The Station faces a considerable number of risks of loss, including:

- a) damage to and destruction and loss of property and contents;
- b) environmental damage;
- c) workers' compensation (i.e., employee injuries);
- d) tort actions; and,
- e) errors and omissions.

**KOYA RADIO**  
**(A Department of Rosebud Sioux Tribe)**

**Notes to the Financial Statements**

**For the Years Ended September 30, 2017 and 2016**

**Note 7 - Risk Management - Continued**

A variety of methods is used to provide insurance for these risks. Commercial insurance policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, tort actions, and errors and omissions. Settled claims for these risks have not exceeded commercial insurance coverage for the past four years.

Given the lack of coverage available, the Station has no coverage for potential losses due to environmental damages. The amounts of any potential future losses are unknown.

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

**Board of Directors  
KOYA Radio  
Rosebud Sioux Tribe  
Rosebud, South Dakota**

We have audited, 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 the governmental activities and general fund of KOYA Radio (the "Station"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Station's financial statements, and have issued our report thereon dated May 14, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Station's financial statements are free of 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*.

**KOYA Radio  
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***

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**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 Station'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 Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wipfli LLP*

**Great Falls, Montana  
May 14, 2018**