

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

**FINANCIAL STATEMENTS AUDIT REPORT**

WVUT-TV  
A PUBLIC TV STATION OPERATED  
BY VINCENNES UNIVERSITY  
VINCENNES, INDIANA

July 1, 2015 to June 30, 2016



**FILED**  
01/10/2017



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## SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Vice President for Financial Services and Government Relations	Phillip S. Rath	07-01-15 to 06-30-17
President	Richard E. Helton Charles Johnson (interim) Charles Johnson	07-01-15 to 07-31-15 08-01-15 to 12-01-15 12-02-15 to 12-31-18
Chairman of the Board	John R. Gaylor John A. Stachura	07-01-15 to 10-04-15 10-05-15 to 10-04-17
General Manager	Nichole Carie	07-16-15 to 06-30-17



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF WVUT-TV, A PUBLIC TELEVISION STATION OPERATED  
BY VINCENNES UNIVERSITY, VINCENNES, INDIANA

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

We have audited the accompanying financial statements of the business-type activities of WVUT-TV, a public TV station operated by Vincennes University (University), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WVUT-TV'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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WVUT-TV'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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of WVUT-TV as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended, in accordance with accounting principles generally accepted in the United States of America.


***Emphasis of Matter***

As discussed in Note 1, the financial statements of WVUT-TV are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the University that are attributable to the transactions of WVUT-TV. They do not purport to, and do not, present fairly the financial position of the University, as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are 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, as listed in the Table of Contents, 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.

  
Paul D. Joyce, CPA  
State Examiner

December 14, 2016

## **WVUT-TV**

### **A Public TV Station Operated by Vincennes University**

#### **Management's Discussion and Analysis**

##### **INTRODUCTION**

WVUT-TV (the Station) presents its financial statements for the year ending June 30, 2016. This discussion and analysis provides an overview of the financial position and activities of WVUT-TV for the year ending June 30, 2016 with comparative information for the years ending June 30, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

WVUT-TV is licensed to the Board of Trustees of Vincennes University. WVUT-TV was the first Public Television station to go on the air in Indiana on October 22, 1968. Vincennes University was also the first college in Indiana to go on the air with a Digital Television Station on September 2, 2002. On June 12, 2009, WVUT-TV, along with all other analog TV stations, turned the analog transmitter off and went on-air completely digital. In July of 2010, all in-studio and out-of-studio local productions were converted to High Definition, making WVUT one of the first stations in the state to completely convert all operations to High Definition.

##### **USING THIS REPORT**

The WVUT-TV report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external reporting for public colleges and universities and require that financial statements be presented for aggregate operations.

##### **STATEMENT OF NET POSITION**

The Statement of Net Position presents the financial position of WVUT-TV at the end of the fiscal year and includes all assets and liabilities of WVUT-TV. The difference between total assets and total liabilities--net position-- is one indicator of the current financial condition of WVUT-TV, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarization of the WVUT-TV's assets, liabilities and net position at June 30, 2016, 2015 and 2014 is as follows:

	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current Assets	\$ 930,916	\$ 958,722	\$ 921,889
Noncurrent Assets			
Capital Assets, net of depreciation	<u>1,427,549</u>	<u>1,743,297</u>	<u>1,865,245</u>
Total Assets	<u>2,358,465</u>	<u>2,702,019</u>	<u>2,787,134</u>
Current Liabilities	774,750	797,075	773,914
Net Position	<u><u>\$ 1,583,715</u></u>	<u><u>\$ 1,904,944</u></u>	<u><u>\$ 2,013,220</u></u>

Current assets consist primarily of cash and cash equivalents. Current liabilities consist of accounts payable and unearned revenue. WVUT-TV has no long-term liabilities.

Current assets and current liabilities have remained consistent over the past three years. Capital assets decreased 18% from fiscal year 2015 to 2016 as a result of the University raising the capitalization threshold for assets purchases from \$500 to \$5,000. This change was effective July 1, 2015.

### **Net Position**

Net position represents the residual interest in WVUT-TV's assets after liabilities are deducted. WVUT-TV's net position is summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net Investment in Capital Assets	\$ 1,427,549	\$ 1,743,297	\$ 1,865,245
Unrestricted	156,166	161,647	147,975
Total Net Position	<u>\$ 1,583,715</u>	<u>\$ 1,904,944</u>	<u>\$ 2,013,220</u>

*Net Investment in Capital Assets* represents the station's equity in property, plant and equipment net of accumulated depreciation. The decrease from fiscal year 2015 to 2016 is related to the raising of the capitalization threshold for assets purchased from \$500 to \$5,000. This change was effective July 1, 2015 and as a result, a \$222,447 (one-time) net decrease in capital assets was recorded.

*Unrestricted Net Position* is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets. The unrestricted net position has remained relatively stable over the past three years.

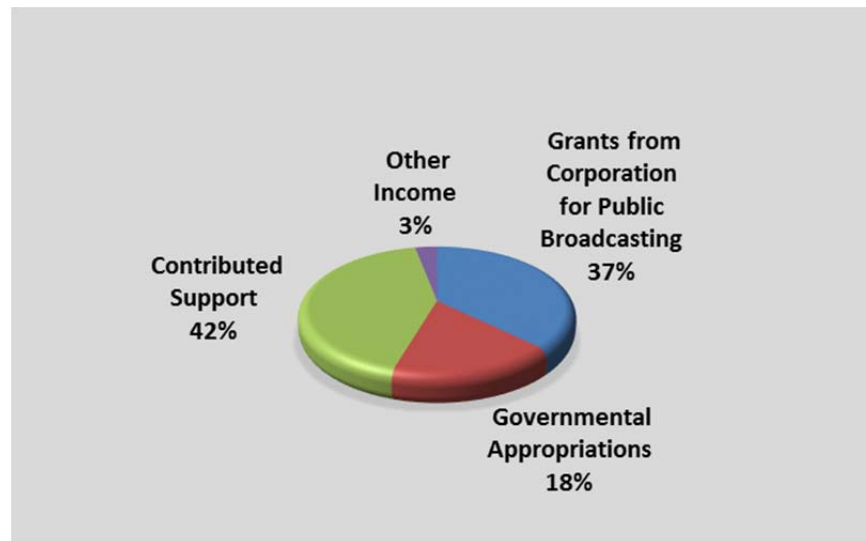
### **STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of WVUT-TV as well as the non-operating revenues and expenses. Governmental appropriations, while used for operations, are considered non-operating revenues as defined by GASB Statement No. 35. A summarized comparison of the Statement of Revenues, Expenses and Changes in Net Position is presented below:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenue	\$1,605,198	\$1,699,019	\$2,035,206
Operating Expenses	<u>2,080,703</u>	<u>2,107,710</u>	<u>2,158,718</u>
Net Operating Loss	(475,505)	(408,691)	(123,512)
Non-Operating Revenue	<u>376,723</u>	<u>300,415</u>	<u>312,623</u>
Increase (Decrease) in Net Position	(98,782)	(108,276)	189,111
Net Position - Beginning of year	1,904,944	2,013,220	1,824,109
Prior Period Adjustment for Change in Accounting Principle	(222,447)	-	-
Net Position - End of year	<u>\$1,583,715</u>	<u>\$1,904,944</u>	<u>\$2,013,220</u>



The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund WVUT-TV for the year ended June 30, 2016.



#### ***Fiscal Year 2016***

WVUT-TV continues to focus on cost containment. This action is necessary since the television station received only \$740,282 in operating revenue from the Corporation for Public Broadcasting (CPB) and government appropriations to help support the station's operating expenses of \$2.1 million during the fiscal year of 2016. The Rural Public Television Digital Transition Grant from the USDA expired in September 2016. The final \$32,649 of the \$355,000 USDA grant was received in fiscal year 2016. In fiscal year 2015, the station received \$12,317 in USDA grant funds.

The station received \$832,267 in contributions from Vincennes University and other outside sources in fiscal year 2016, a decrease of 15% from contributions totaling \$979,841, in fiscal year 2015. The decrease in contributions was partially offset by a 21% increase in appropriations received from the State. WVUT-TV will continue in its efforts to secure other outside funding sources to help support \$1.16 million of programming and production operating expenses incurred by the station during the fiscal year of 2016.

The University moved its capitalization threshold from \$500 to \$5,000 effective July 1, 2015. This change in accounting principle resulted in a one-time expense of \$222,447. Raising the capitalization threshold also impacted depreciation expense, which decreased 25% in fiscal year 2016. The decrease in depreciation was primarily due to the reduction in depreciable assets following the change in accounting principle.

#### ***Fiscal Year 2015***

In the fiscal year 2015, WVUT-TV's operating expenses decreased slightly from the prior year. Ongoing cost containment efforts are necessary since the television station received only \$706,861, a 7.4% decrease from the fiscal year 2014, in operating revenue from the Corporation for Public Broadcasting. These funds help support the station's operating expenses of \$2.1 million during the fiscal year of 2015.

WVUT-TV received \$12,317 in funding as part of the Rural Public Television Digital Transition Grant from the USDA. This represents a significant decrease in USDA grant revenue from fiscal

year 2014, when over \$300,000 of the total \$355,000 grant was received. This grant will expire in September, 2016.

The station received approximately \$980,000 of contributions from Vincennes University and other outside sources in the fiscal year 2015, which increased slightly from contributions of \$961,557, in the fiscal year 2014. The contributions help support programming and production expense, the station's largest operating expense of \$1.14 million during the fiscal year of 2015.

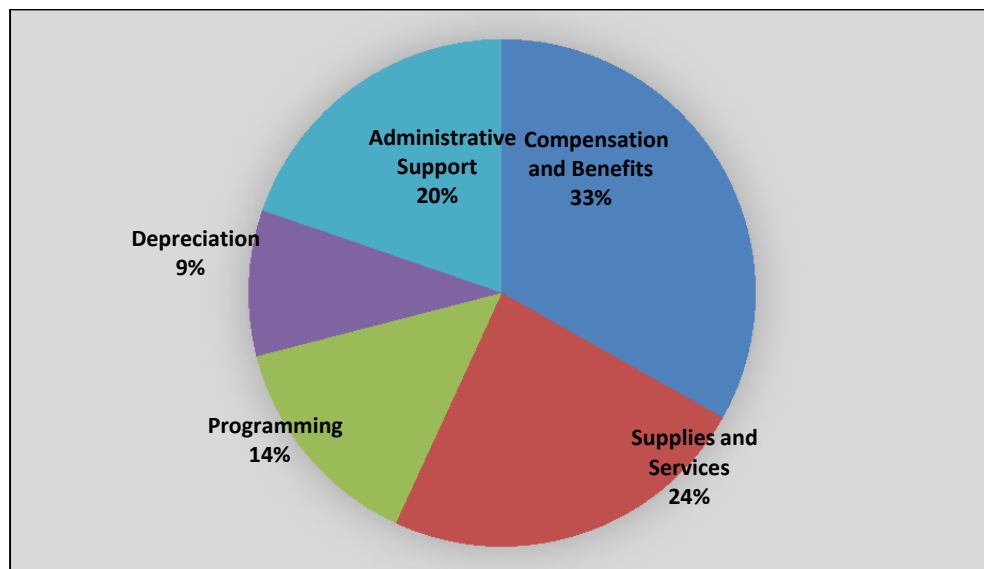
Broadcasting expenses decreased by over 20% in the fiscal year 2015. The decrease is explained primarily by non-recurring costs of \$42,279 incurred in the fiscal year 2014, for painting and repairing the tower.

A summary of WVUT-TV's expenses by object for the year ended June 30, 2016, 2015 and 2014 is as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating:			
Compensation and Benefits	\$ 690,275	\$ 688,813	\$ 657,227
Supplies and Services	493,207	472,546	515,871
Programming Costs	293,267	264,990	264,330
Depreciation	193,629	257,405	284,387
Administrative Support	410,325	423,956	436,903
Total Operating Expenses	<u>\$2,080,703</u>	<u>\$2,107,710</u>	<u>\$2,158,718</u>

When comparing the expenses by object over past three fiscal years, there are several differences to discuss. Compensation and Benefits increased from fiscal year 2014 to 2015 as a result of hiring a new station manager. In the prior year, salary and benefits represented a partial year's cost for this position. Compensation and Benefits increased less than half of a percent from fiscal year 2015 to 2016. The 10.7% increase in Programming Costs from fiscal year 2015 to 2016 represents the cost of new programming and an increase in the portion of PBS Membership Dues assignable to Programming. Depreciation decreased from fiscal year 2015 to 2016 as a result of changing the capitalization threshold as previously discussed.

The following is a graphic illustration of total expenses by object for the year ended June 30, 2016:

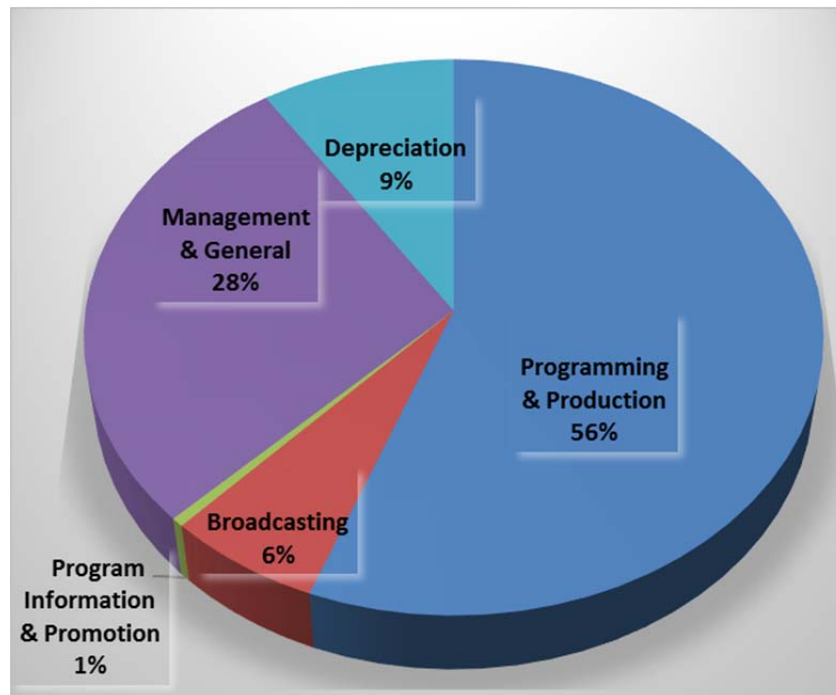


A summary of WVUT-TV's expenses by functional classification for the years ended June 30, 2016, 2015 and 2014 is as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating			
Programming & Production	\$ 1,163,372	\$ 1,136,058	\$ 1,125,844
Broadcasting	130,433	130,234	165,908
Program Information & Promotion	10,547	13,329	5,746
Management & General	582,722	570,684	576,833
Depreciation	193,629	257,405	284,387
Total Operating Expenses	<u>\$ 2,080,703</u>	<u>\$ 2,107,710</u>	<u>\$ 2,158,718</u>

When analyzing the functional classifications over the past three fiscal years, there were several significant variances. From fiscal year 2014 to 2015, the Broadcasting functional classification had a 21.5% decrease as a result of painting and repairing the tower during 2014. From fiscal year 2015 to 2016, depreciation has a 25% decrease as a result of changing the capitalization threshold.

The following graphic illustration presents total expenses by function for the year ended June 30, 2016:



## **STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides additional information about WVUT-TV's financial results by reporting the major sources and uses of cash. A summary of the Statement of Cash Flows for the year ended June 30, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash received from operations	\$ 1,044,824	\$ 1,091,072	\$ 1,332,722
Cash expended for operations	(1,347,738)	(1,287,034)	(1,223,096)
Net cash provided (used) in operating activities	<u>(302,914)</u>	<u>(195,962)</u>	<u>109,626</u>
Net cash provided by non capital financing activities	376,725	313,069	334,268
Net cash used in capital and related financing activities	<u>(101,617)</u>	<u>(80,994)</u>	<u>(355,726)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(27,806)</u>	<u>36,113</u>	<u>88,168</u>
Cash and cash equivalents, beginning of year	958,002	921,889	833,721
Cash and cash equivalents, end of year	<u>\$ 930,196</u>	<u>\$ 958,002</u>	<u>\$ 921,889</u>

The total cash and cash equivalents remained relatively unchanged when comparing the three fiscal years. From fiscal year 2015 to fiscal year 2016, net cash provided by non-capital financing activities increased approximately 20% as a result of the State appropriation increase. This revenue was offset by the \$60,000 increase in new programming costs from fiscal year 2015 to fiscal year 2016, which is reflected in the cash expended for operations.

When analyzing the cash flows from fiscal year 2014 to 2015, cash received from operations and net cash used in capital and related financing activities decreased. This decrease was a result of the Public Television Station Digital Transition grant received from the U.S. Department of Agriculture to convert operations to high definition. The majority of the grant was received and expended during fiscal year 2014.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Management believes changes will be minimal in the coming fiscal year, allowing WVUT-TV to continue in serving the general public by offering quality public broadcasting programs, including local origination programs focused on community issues while also hosting community outreach events.

Factors influencing WVUT-TV's economic position:

- State of Indiana funding levels remain strong in support of education and public service
- Implementation of Underwriting for local programming
- Programming costs will continue to increase
- Increased effort in community outreach events paired with revenue opportunities

The Indiana Legislature restored funding levels for public broadcasting to a benchmark high set seven years ago. WVUT's share of the restored state appropriation helped to offset station expenses, while allowing station personnel to work on expanding statewide and local programming. Indiana Public Broadcasting Stations' Board of Directors, which WVUT's management is a part of, is hopeful that support will continue to grow in the state legislature.

Management is implementing underwriting practices for WVUT-TV's local programming. This should bring in additional revenue this fiscal year with the potential to grow in coming years.

Management also continues to work diligently on partnerships with public and commercial stations and other entities to help improve operations, local programming, and underwriting opportunities.

WVUT continues to provide the highest quality of broadcasting for the area and has managed to keep staffing levels constant. The station has the smallest staffing of all Indiana Public Television Stations, and yet WVUT continues to work on expanding local programming and outreach efforts.

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#### BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of WVUT-TV. The financial statements and notes are presented as intended by WVUT-TV.

WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
**STATEMENT OF NET POSITION**  
 JUNE 30, 2016 AND 2015

<b><u>ASSETS</u></b>	<b><u>6/30/2016</u></b>	<b><u>6/30/2015</u></b>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 930,196	\$ 958,002
Prepaid Expense	720	720
<i>Total Current Assets</i>	<u>930,916</u>	<u>958,722</u>
<i>Non-Current Assets</i>		
Capital Assets	5,779,620	6,597,176
Less Accumulated Depreciation	<u>(4,352,071)</u>	<u>(4,853,879)</u>
<i>Total Non-Current Assets</i>	<u>1,427,549</u>	<u>1,743,297</u>
<b>Total Assets</b>	<b>\$ 2,358,465</b>	<b>\$ 2,702,019</b>
 <b><u>LIABILITIES</u></b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 523	\$ 1,627
Unearned Revenue	<u>774,227</u>	<u>795,448</u>
<i>Total Current Liabilities</i>	<u>774,750</u>	<u>797,075</u>
 <b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,427,549	1,743,297
Unrestricted	<u>156,166</u>	<u>161,647</u>
<i>Total Net Position</i>	<u><u>\$ 1,583,715</u></u>	<u><u>\$ 1,904,944</u></u>

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



WVUT-TV  
 A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Operating Revenue</b>		
Grants from Corporation for		
Public Broadcasting	\$ 740,282	\$ 706,861
Other Grants and Contracts	32,649	12,317
Contributed Support	832,267	979,841
Total Operating Revenue	<u>\$ 1,605,198</u>	<u>\$ 1,699,019</u>
<b>Operating Expenses</b>		
Programming & Production	\$ 1,163,372	\$ 1,136,058
Broadcasting	130,433	130,234
Program Information & Promotion	10,547	13,329
Management & General	582,722	570,684
Depreciation	193,629	257,405
Total Operating Expenses	<u>\$ 2,080,703</u>	<u>\$ 2,107,710</u>
<b>OPERATING LOSS</b>	<u><b>(475,505)</b></u>	<u><b>(408,691)</b></u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Governmental Appropriations	348,628	287,938
Rental Income and Royalties	28,095	25,130
Loss on Disposition of Capital Assets	-	(12,653)
Total Non-operating Revenues	<u>376,723</u>	<u>300,415</u>
<b>DECREASE IN NET POSITION</b>	<b>\$ (98,782)</b>	<b>\$ (108,276)</b>
<b>Net Position - beginning of year</b>	1,904,944	2,013,220
<b>Cumulative Effect of Change in Accounting Principle - Note 12</b>	(222,447)	-
<b>Net Position - end of year</b>	<u><u><b>\$ 1,583,715</b></u></u>	<u><u><b>\$ 1,904,944</b></u></u>

The accompanying notes are an integral part of the financial statements

WVUT-TV  
A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
**STATEMENT OF CASH FLOWS**  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants from Corporation for Public Broadcasting	\$ 719,061	\$ 729,260
Grants and Contracts	32,649	12,317
Contributed Support	293,114	349,495
Payments to Suppliers	(657,462)	(598,222)
Payments to Employees	(518,092)	(498,711)
Payments for Benefits	(172,184)	(190,101)
<b>Net Cash Used in Operating Activities</b>	<u>\$ (302,914)</u>	<u>\$ (195,962)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Governmental Appropriations	348,628	287,938
Other Income	28,097	25,131
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>\$ 376,725</u>	<u>\$ 313,069</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(101,617)	(80,994)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>\$ (101,617)</u>	<u>\$ (80,994)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (27,806)	\$ 36,113
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>958,002</u>	<u>921,889</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 930,196</u></u>	<u><u>\$ 958,002</u></u>

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities:**

Operating Loss	\$ (475,505)	\$ (408,691)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expenses	193,629	257,405
Contributions of Property, Plant, & Equipment	1,288	(67,117)
Changes in Assets and Liabilities:		
Prepaid Expense	-	(720)
Accounts Payable and Accrued Liabilities	(1,104)	763
Unearned Revenue	(21,222)	22,398
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (302,914)</u></u>	<u><u>\$ (195,962)</u></u>

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

NOTES TO FINANCIAL STATEMENTS  
WVUT-TV  
A PUBLIC TV STATION OPERATED BY VINCENNES UNIVERSITY  
FOR THE YEARS ENDED 6/30/2016 AND 6/30/2015

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity:** WVUT-TV (the Station) is a public TV station operated by Vincennes University (the University). The University is an institution of higher education and is considered to be a component unit of the State of Indiana.

**Financial Statement Presentation:** The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. During fiscal year 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, and GASB Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

**Basis of Accounting:** For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements, imposed by the provider, have been met.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash Equivalents:** For purposes of the Statement of Cash Flows, the Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable:** Accounts receivable consist of underwriting revenue. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management has concluded that realized losses on balances outstanding at year-end will be immaterial and, accordingly, no allowance for uncollectible accounts is necessary.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the Station's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Inventories of materials and supplies at year-end are not considered material and, therefore, are not reflected in the financial statements.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 3 to 10 years for equipment.

**Unearned Revenues:** Unearned revenues include amounts received from grant and contract sponsors that have not yet been earned.

NOTES TO FINANCIAL STATEMENTS  
WVUT-TV  
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(CONTINUED)

In-Kind Contributions: Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. If the fair value of contributed materials, supplies, facilities and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

Indirect Administrative Support: Administrative support from Vincennes University consists of indirect costs incurred by the University on behalf of the Station, determined by establishing cost pools, which are grouped into functional categories such as institutional support and physical plant support, which are then allocated, based on the Station's direct costs in accordance with guidelines established by the Corporation for Public Broadcasting (CPB).

Vincennes University also provides office, studio and tower facilities, the benefit for which is included as a building use allowance.

Net Position: The Station's net position is classified as follows:

Net investment in capital assets: This represents the Station's total investment in capital assets. There is no outstanding debt related to these capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Unrestricted net position: Unrestricted net position represents resources derived from grants, underwriting, and fees. These resources are used for transactions relating to the educational and general operations of the Station. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflow of resources that are not included in the determination of net investment in capital assets.

Income Taxes: The University, as a political subdivision of the State of Indiana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as grants and contracts. Operating revenues include (1) operating grants from CPB, federal and state agencies, and other entities, (2) contributions from various sources for operating activities and (3) underwriting.

Contributed support represents expenses paid on behalf of a public telecommunications entity by others outside the reporting entity, and includes support from Vincennes University, donated materials or facilities, and indirect administrative support.

Grants to finance non-capital projects are recorded as unearned revenue until an expenditure is incurred for which the grant was intended. The amounts are then included in revenues, and the expenditures are recorded.

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Corporation for Public Broadcasting Community Service Grants: The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No .9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as governmental appropriations.

Advertising Costs: Advertising costs are expensed in the period in which they are incurred.

**Note 2 - Cash**

Cash as of June 30, 2016 and June 30, 2015 is stated at market value. Cash deposits are insured by agencies of the federal government up to \$250,000. Amounts over \$250,000 are covered by the Indiana Public Depository Fund, which covers all public funds held in approved depositories. The total amount reported for checking accounts at various banks at June 30, 2016 and June 30, 2015 is \$930,196 and \$958,002, respectively.

**NOTE 3: Capital Assets**

	Ending Balances 06/30/15	Increases	Decreases	Transfers	Ending Balances 06/30/16
<b>Capital Assets being depreciated:</b>					
Fine Arts (Film Library)	750,000	-	-	-	750,000
<b>Total Capital Assets not being depreciated</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750,000</b>
<b>Capital Assets being depreciated:</b>					
Building and Improvements	401,036	-	-	-	401,036
Equipment	5,446,140	101,617	946,733	27,560	4,628,584
<b>Total Capital Assets being depreciated</b>	<b>5,847,176</b>	<b>101,617</b>	<b>946,733</b>	<b>27,560</b>	<b>5,029,620</b>
<b>Less accumulated depreciation for:</b>					
Building and Improvements	159,373	13,222	-	-	172,595
Equipment	4,694,506	180,408	724,286	28,848	4,179,476
<b>Total accumulated depreciation</b>	<b>4,853,879</b>	<b>193,630</b>	<b>724,286</b>	<b>28,848</b>	<b>4,352,071</b>
<b>Total Capital Assets being depreciated, net</b>	<b>993,297</b>	<b>(92,013)</b>	<b>222,447</b>	<b>(1,288)</b>	<b>677,549</b>
<b>Capital Assets, net</b>	<b>\$ 1,743,297</b>	<b>\$ (92,013)</b>	<b>\$ 222,447</b>	<b>\$ (1,288)</b>	<b>\$ 1,427,549</b>

The capitalization threshold for equipment purchases was raised from \$500 to \$5,000 effective July 1, 2015. The net effect of this change totaled \$222,447 as reflected above.

**NOTE 4: Functional Statement**

Operating expenses by functional classification are summarized as follows:

	PROGRAM SERVICES				SUPPORT SERVICES			
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Management and General	Depreciation	Total Support Services	Total
Salaries, Wages & Benefits	\$ 600,826	\$ -	\$ -	\$ 600,826	\$ 89,449	\$ -	\$ 89,449	\$ 690,275
Professional Services	-	-	-	-	20,707	-	20,707	20,707
Supplies	3,124	-	-	3,124	43,828	-	43,828	46,952
Occupancy	-	68,633	-	68,633	4,115	-	4,115	72,748
Postage	-	-	-	-	214	-	214	214
Advertising	-	-	10,547	10,547	-	-	-	10,547
Conferences & Meetings	-	-	-	-	11,034	-	11,034	11,034
Repairs & Maintenance	53,044	61,800	-	114,844	550	-	550	115,394
Programming Costs	293,267	-	-	293,267	-	-	-	293,267
Membership & Dues	213,111	-	-	213,111	2,500	-	2,500	215,611
Administrative Support	-	-	-	-	410,325	-	410,325	410,325
Depreciation	-	-	-	-	-	193,629	193,629	193,629
<b>Total</b>	<b>\$ 1,163,372</b>	<b>\$ 130,433</b>	<b>\$ 10,547</b>	<b>\$ 1,304,352</b>	<b>\$ 582,722</b>	<b>\$ 193,629</b>	<b>\$ 776,351</b>	<b>\$ 2,080,703</b>

**Note 5: Indirect Administrative Support**

Indirect administrative support from other state agencies consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as Contributed Support and also as an expense in the management and general functional expense category. The value of this support for the years ended June 30, 2016 and June 30, 2015 was \$410,325 and \$423,956, respectively.

**Note 6: Contributed In-Kind Support**

Contributed in-kind support represents expenses paid on behalf of the Station by others outside the reporting entity and includes donated materials. The fair value of this support is recognized in the Statement of Revenues, Expenses, and Changes in Net Position as Contributed Support. An equivalent amount of expenses is also recognized, so there is no impact on net position. The total support for June 30, 2016 and

June 30, 2015 was \$79,300 for each year.

**Note 7: Support from Vincennes University**

Vincennes University contributes support to the Station by partially funding the operations, studio, and production facility. The total costs for this support totaled \$342,642 and \$476,585 for the years ended June 30, 2016 and June 30, 2015, respectively.

**Note 8: Risk Management**

WVUT-TV is licensed to the Board of Trustees of Vincennes University; therefore, the station is exposed to the same risk as the University. These risks include: torts, theft, damage or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; and health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For building and contents, the risk retention is \$100,000 per incident. General liability, commercial crime, aviation, worker's commercial policies.

For health benefits, the University has an insured self-funded arrangement. The University retains the risk for medical benefits up to a stop loss provision of \$325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be \$674,625 for the fiscal year 2015-16 and \$955,375 for the fiscal year 2014-15.

Changes in the total reported self-insured health, dental & drug benefit liability during the years ending June 30, 2016 and 2015 were as follows:

	2016	2015
Balance, beginning of year	\$ 955,375	\$ 828,305
Claims incurred	8,280,088	10,444,822
Claim payments	(8,560,838)	(10,317,752)
Balance, end of year	<u>\$ 674,625</u>	<u>\$ 955,375</u>

**Note 9: TIAA/CREF Pension Plan**

**Plan Description**

Through Vincennes University, eligible employees at WVUT-TV participate in a tax deferred 403(b) Retirement Annuity Plan (RA) through Teachers Insurance and Annuity Association of America (TIAA). This plan is a defined contribution plan under IRC 403(b). Income during retirement is based on the participant's total account balance. Participants are immediately 100% vested in the funds contributed. An agreement between the University and TIAA is approved by the University Board of Trustees.

**Funding Policy**

For all full-time faculty and professional staff, the University contributes 10% of earned wages. Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment, participate in a supplemental defined contribution retirement income plan with TIAA. The University contributes 5% of covered wages for this plan.

Additional Details of the plan can be found in the Vincennes University's Annual Financial Report.

**Note 10: Withdrawal from PERF Pension Plan Obligation**

During the 2014-2015 fiscal year, Vincennes University contributed to the Public Employees Retirement Fund (PERF), a defined benefit pension plan, for full-time support staff hired prior to July 1, 2013 and full-time professional staff hired prior to July 1, 2003. On July 1, 2013, the University no longer added new employees to PERF. The Indiana Public Retirement System (INPRS) defined this action as a "soft freeze." The University ceased participation in PERF as of June 30, 2015. All benefit eligible employees hired on or after July 1, 2013 participate in the University's defined contribution plan with Teachers Insurance and Annuity Association - College Retirement Equity Fund (TIAA/CREF). This change affected all employees participating in PERF.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

**Note 11: Other Postemployment Benefits**

**Plan Description**

Through Vincennes University, eligible WVUT-TV employees participate in the University's Healthcare Plan which is a single-employer defined benefit healthcare plan administered by Anthem. This plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

**Funding Policy**

The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the actuarial study .

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

**Note 12: Change in Accounting Principle**

The capitalization threshold for equipment purchases was raised from \$500 to \$5,000 effective July 1, 2015. A line item titled "Cumulative Effect of Change in Accounting Principle" has been included on the Statement of Revenues, Expenses, and Changes in Net Position to reflect the \$222,447 change.



### **Note 13 – TRF Pension Plans**

#### ***General Information about the Teachers' Retirement Pension Plans***

Through Vincennes University (the University), eligible WVUT-TV employees participate in the Indiana Public Retirement System (INPRS). TRF is two (2) cost-sharing, multiple-employer defined benefit plans, TRF Pre-1996 Account and TRF 1996 Account. TRF is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.4, and IC 5-10.5.

**Benefits** TRF Pre-1996 is a pay-as-you-go cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees hired before July 1, 1995. There are two aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit Structure is the annuity savings account that supplements the defined benefit at retirement. The benefit formula is the years of creditable service times the average highest five-year annual salary times .011. Members can elect at retirement to receive their Annuity Savings account as a monthly supplement to their defined pension benefit or in a total distribution. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

**Membership** Membership in TRF Pre-1996 is closed to new entrants. Legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees hired before July 1, 2011, are required to participate in TRF as a condition of employment. Generally, members hired prior to 1996 participate in the TRF Pre-1996 Account and members hired after 1996 participate in the TRF 1996 Account.

**Contributions** State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5.

This pension plan is a special funding situation in that the State of Indiana, a non-employer contributing entity, is legally responsible for the net pension liability and contributions to the pension plan. TRF Pre-1996 Account Members contributed three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

#### ***Teachers' Retirement Fund 1996 Account (TRF 1996)***

**Benefits** TRF 1996 is a cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees (hired before July 1, 2011) hired after June 30, 1995. Members who were hired before July 1, 1995 were members of TRF Pre-1996. However, pursuant to the law in place prior to July 1, 2005, if a member of TRF Pre-1996 left employment and re-employed after June 30, 1995, the member and the liability were transferred to TRF 1996. There are two aspects to the TRF 1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the TRF 1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement.

The benefit formula is the years of creditable service times the average highest five-year annual salary times .011. Members can elect at retirement to receive their Annuity Savings account as a monthly supplement to their defined pension benefit or in a total distribution. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

**Membership** Membership in TRF 1996 is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Additionally, faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or the alternate University Plan not administered by INPRS.

**Contributions** The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provided for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As the TRF 1996 Account is a cost-sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers.

TRF 1996 Account members contributed 3 percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Additional details of the plan can be found in the Vincennes University's Annual Financial Report.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the University. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.