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May 20, 2019

WFIU-FM
400 E 7th St.
Bloomington, IN 47405

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of WFIU-FM, a public radio station operated by Indiana University. We have reviewed the audit report opined upon by RSM US LLP, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of IU WFIU Radio Station as of June 30, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, RSM US LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

WFIU-FM Radio

**(A Public Telecommunications Entity Operated as
a Department of Indiana University)**

Financial Report
June 30, 2018

Contents

Schedule of University Officials	1
Independent auditor's report	2-3
Management's discussion and analysis	4-9
Financial statements	
Statements of net position	10
Statements of revenues, expenses and changes in net position	11
Statements of cash flows	12
Notes to financial statements	13-27
Required Supplementary Information	
Schedule of Station's proportionate share of the net pension liability	28
Schedule of Station pension contributions and notes	29-30
Schedule of Station's proportionate share of the total OPEB liability	31

UNIVERSITY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
University President	Dr. Michael A. McRobbie	07-01-17 to 06-30-21
University Provost and Executive Vice President	Lauren Robel	07-01-17 to 06-30-21
University Vice President and Chief Financial Officer	John Sejdinaj	07-01-17 to 06-30-19
University Treasurer	Donald Lukes	07-01-17 to 06-30-19
Chairman of the Board of Of Trustees	Michael J. Mirro	07-01-17 to 06-30-19
Executive Director of Radio and TV Services	Perry Metz	07-01-17 to 06-30-19
Chief Financial Officer of Radio and TV Services	Donna Stroup	07-01-17 to 06-30-19



RSM US LLP

Independent Auditor's Report

To the Officials
WFIU-FM (A Public Telecommunications Entity)
Operated as a Department of Indiana University)
Bloomington, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of WFIU-FM, a public telecommunications entity operated as a department of Indiana University (WFIU-FM), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise WFIU-FM'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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WFIU-FM as of June 30, 2018, and the changes in its financial position and its cash flows 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 WFIU-FM 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 Indiana University (University) that are attributable to the transactions of WFIU-FM. They do not purport to, and do not present fairly the financial position of the University, as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, WFIU-FM restated beginning net position to correct an error in the recognition of net pension liability under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, WFIU-FM adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which restated beginning net position and other postemployment benefits liability. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of WFIU-FM, as of and for the year ended June 30, 2017, were audited by other auditors, whose report, dated February 7, 2019, expressed an unmodified opinion on those statements. An emphasis of matter paragraph was included in the report for a restatement to reflect material changes resulting from the removal of investments held and owned by the University's Foundation and other non-material corrections of errors.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-9, the Indiana Public Employee's Retirement Fund pension plan schedules and the Schedule of Station's Proportionate Share of the Total OPEB Liability, 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.

RSM US LLP

Indianapolis, Indiana
May 16, 2019

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis June 30, 2018,
with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

WFIU-FM (the Station) presents its audited financial statements for the year ended June 30, 2018, along with comparative data for the years ended June 30, 2017 and 2016 (as Restated). Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, liabilities, and net position of the Station as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the Station by major category during the fiscal year.

Statement of Net Position

Total assets at June 30, 2018, were \$817,646, an increase of \$321,010 due to an increase in cash and cash equivalents and the purchase of capital assets. Net capital assets comprised \$224,842 of the total. Total assets at June 30, 2017, were \$496,636 and net capital assets comprised of \$116,371 of the total.

Deferred outflows of resources at June 30, 2018 were \$118,513, an increase of \$18,211 from June 30, 2017. Total liabilities were \$627,063 at June 30, 2018, an increase of \$193,784. Noncurrent liabilities were 63.9% or \$400,887 of the total liabilities at June 30, 2018. Total liabilities were \$433,279 at June 30, 2017. Noncurrent liabilities were 45.8% or \$198,239 of the liabilities at June 30, 2017. The Station had no outstanding debt obligations.

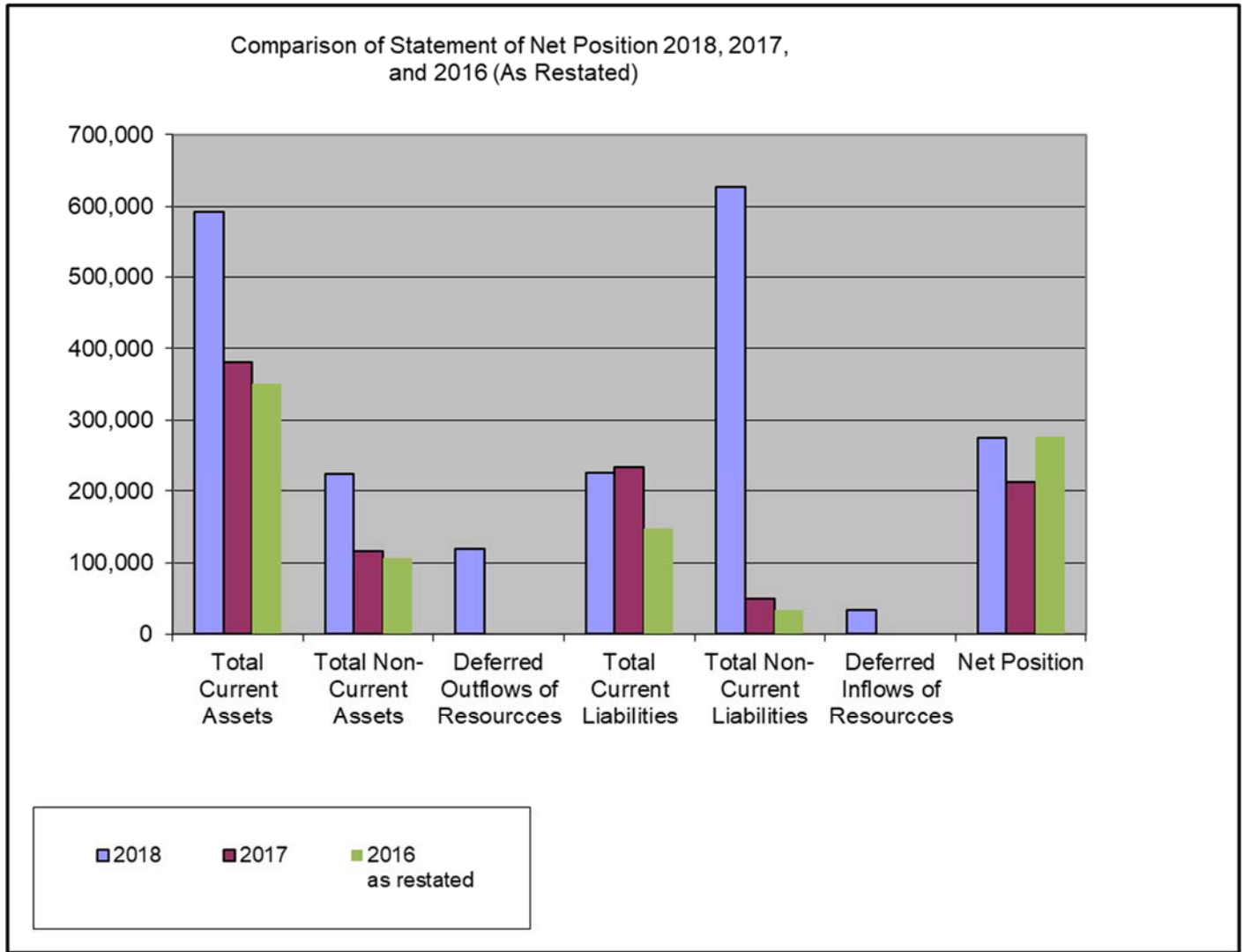
Deferred inflows of resources at June 30, 2018 were \$33,683, a decrease of \$25,940 from June 30, 2017.

Total net position at June 30, 2018, was \$275,413, an increase of \$171,377 from fiscal year 2017, or a 164.7% increase in net position, including the effects of restatement. Total net position at June 30, 2017, was \$104,036, a decrease of \$56,070 from fiscal year 2016 or a 20.4% decrease in net position. A comparison of WFIU's assets, liabilities, and net position at June 30, 2018, 2017 and 2016 (as Restated) is summarized as follows:

CONDENSED STATEMENT OF NET POSITION - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>
			<i>As Restated</i>
Current Assets	592,804	380,265	351,141
Noncurrent Assets/Capital Assets	224,842	116,371	107,077
Total Assets	817,646	496,636	458,218
Deferred Outflows of Resources	118,513		
Current Liabilities	226,176	235,040	147,628
Noncurrent Liabilities	400,887	198,239	33,307
Total Liabilities	627,063	433,279	180,935
Deferred Inflows of Resources	33,683	59,623	
Net Investments in Capital Assets	224,842	116,371	107,077
Restricted for Expendable Station Activities	55,122	100,566	133,328
Unrestricted	(4,551)	(112,901)	36,878
Total Net Position	275,413	104,036	277,283

WFIU-FM
 A Public Telecommunications Entity Owned and Operated by Indiana University
 Management's Discussion and Analysis June 30, 2018,
 with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

The composition of current and non-current assets, deferred outflows, liabilities, deferred inflows and net position is displayed below for the 2018, 2017, and 2016 (as Restated) fiscal year-ends:



WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis June 30, 2018,
with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

Statement of Revenues, Expenses, and Changes in Net Position

A summarized comparison of WFIU's revenues, expenses, and changes in net position is presented below:

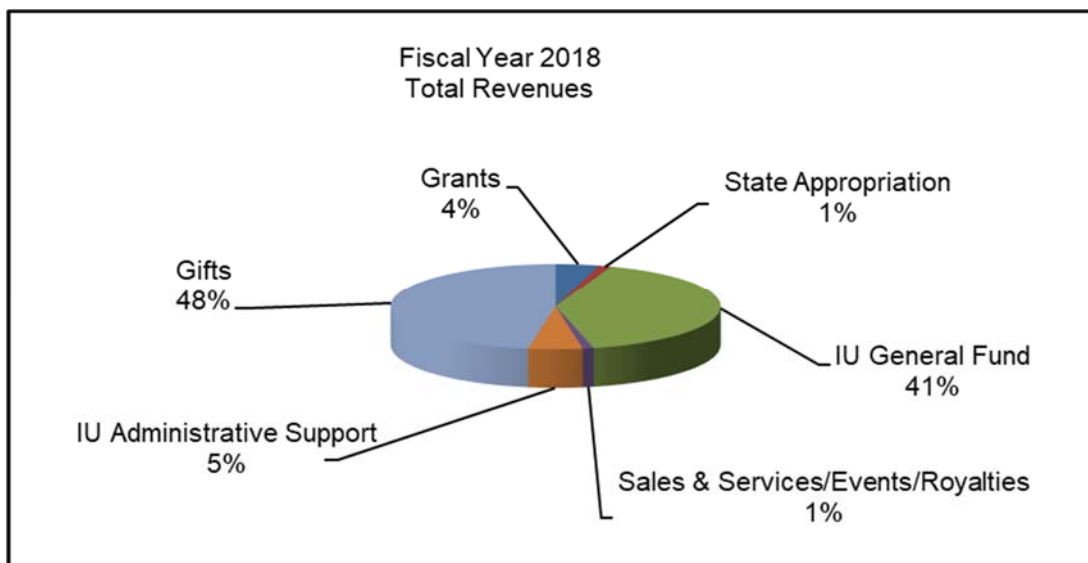
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i> <i>As Restated</i>
Operating Revenues	180,995	132,883	256,528
Operating Expenses	(3,018,008)	(3,271,893)	(2,713,160)
Total Operating Loss	(2,837,013)	(3,139,010)	(2,456,632)
Net Nonoperating Revenues	3,222,987	3,082,340	2,727,923
Increase in Net Position	385,974	(56,670)	271,291
Net Position - Beginning of Year	104,036	277,283	2,930,539
Prior Period Adjustments	(214,597)	(116,577)	(2,924,547)
Net Position - Beginning of Year, as Restated	(110,561)	160,706	5,992
Net Position - End of Year	275,413	104,036	277,283

Revenues

Operating revenues at WFIU-FM for the June 30, 2018, fiscal year increased by \$48,112 or 36.2%, due to the PBE Miscellaneous Grants for Public Media and Royalties for Earth Eats. The CPB grant for regional journalism concluded in the third year. Net non-operating revenues increased by \$140,647 or 4.6% in fiscal year 2018, primarily due to the increase of Donated Facilities and other Administrative Support from the University and the increase of Individual Contributions. Operating revenues at WFIU-FM for the June 30, 2017, fiscal year decreased by \$123,645 or 48.2% after the 2016 sale of two FCC licenses.

In summary, total Operating Revenues and Net Non-Operating Revenues of the Station in fiscal year 2018 increased by \$188,759, an increase of 5.9%.

The compositions of revenues are displayed in the following graph:



WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis June 30, 2018,
with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

Expenses

Operating expenses were \$3,018,008 for the 2018 fiscal year. This was a decrease over the previous fiscal year of \$253,885 or 7.8%. Changes in the major categories of expenses were:

For all functional areas:

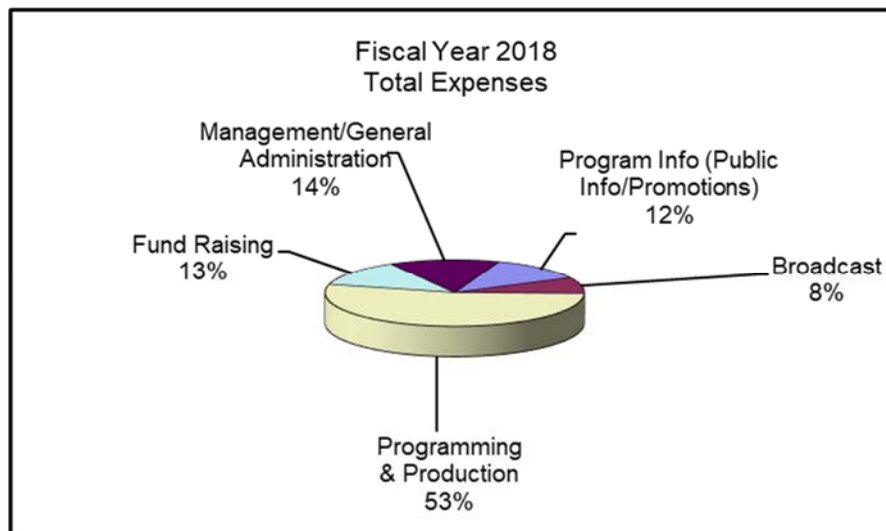
- Professional and support staff received an average 2% salary increase. The professional staff fringe benefit rate increased from 39.88% to 40.23%. The support staff fringe benefit rate increased from 38.77% to 38.99%.

For specific functional areas:

- Programming and production costs decreased by 8.5%, due to the end of the early retirement plan expense and the reorganization and reduction of staff dedicated to Radio programming.
- Broadcasting costs decreased by 29.6% as the station completed the addition of another broadcast license and it became operational.
- Public information and promotion expenses increased by 43.7%, including promotion of the new station, an increase in overall promotions, and the re-direction of resources to the newly established Digital unit that focuses on our website information and presentation.
- Management and general expenses decreased 20.3%, as remodeling projects concluded and personnel devoted more time to television and less to radio.
- Fund-raising, membership development, and underwriting solicitation costs decreased by 2.1% due to temporary position vacancies.

Operating expenses were \$3,271,893 for the 2017 fiscal year. This was an increase over the previous fiscal year of \$558,733 or 17.1%.

The composition of total expenses, including operating and non-operating, are displayed below by major category:



WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management's Discussion and Analysis June 30, 2018,
with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

Net Position

The net increase in net Position increased by \$385,974 in 2018, compared to a net \$327,961 decrease in 2017 from 2016. The operating loss was \$2,837,013 in 2018 and \$3,139,010 in 2017. However, net non-operating revenues increased by \$140,647 from 2017 to 2018. The ending net position was \$275,413, including the effects of restatements and compared to ending net position in 2017 of \$104,036. This was a 164.7% increase in net position.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the Station by providing relevant information about the cash receipts and cash payments of the Station during a certain period. It assists the reviewer in determining whether the Station has the ability to generate future net cash flows to meet its obligations as they come due, and to determine the need for external financing.

A summarized comparison of WFIU's changes in cash and cash equivalents is presented below:

COMPARATIVE STATEMENT OF CASH FLOWS - WFIU			
	<i>Fiscal Year Ended</i>		
	<i>June 30, 2018</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>
			<i>As Restated</i>
Net Cash Used by:			
Operating Activities	(2,649,497)	(2,831,646)	(2,297,992)
Noncapital Financing Activities	3,046,908	2,897,315	2,535,837
Capital and Related Financing Activities	(133,121)	(33,895)	(27,618)
Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	264,290	31,774	210,227
Beginning Cash and Cash Equivalents	328,514	296,740	86,513
Ending Cash and Cash Equivalents	592,804	328,514	296,740

From fiscal year 2017 to 2018, cash used by operating activities decreased by \$182,149. This was the result of fewer payments to vendors and employees once the startup of the new station was complete. From fiscal year 2016 to 2017, cash used by operating activities increased by \$533,654. This was the result of increased payments to vendors and employees as the new station became operational.

From fiscal year 2017 to 2018, cash flows provided from noncapital financing activities increased \$149,593, reflecting increases in University support and contributions. From fiscal year 2016 to 2017, cash flows provided from noncapital financing activities increased \$361,478, reflecting increases in University support and donor contributions.

From fiscal year 2017 to 2018, cash used by capital and related financing activities was \$133,121 for the purchase of capital equipment, an increase from the previous year's purchases of \$33,895 in fiscal year 2017, and \$27,618 in fiscal year 2016.

There were no cash flows from investing activities.

In summary, there was a net increase in cash and cash equivalents in 2018 of \$264,290 and a net increase in 2017 of \$31,774.

WFIU-FM
A Public Telecommunications Entity Owned and Operated by Indiana University
Management’s Discussion and Analysis June 30, 2018,
with Comparative Information for June 30, 2017 and June 30, 2016 (as Restated)

Capital Assets

At June 30, 2018, June 30, 2017, and June 30, 2016 (as Restated), the Station had \$224,842, \$116,371 and \$107,077, respectively invested in capital assets, net of accumulated depreciation. Depreciation charges for the years ended June 30, 2018, June 30, 2017, and June 30, 2016 (as Restated), totaled \$24,650, \$24,601, and \$23,606 respectively. The station has made only modest purchases of new capital assets over the last three years as existing capital continues to depreciate. Details of these assets are shown below:

<u>Net Capital Assets at Year-End</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u> <u>(As Restated)</u>
Transmission, Antenna, and Tower	\$ 60,901	\$ 76,858	\$ 85,966
Studio and Other Broadcast Equipment	25,069	39,513	21,111
Furniture and Fixtures	<u>138,872</u>	<u>0</u>	<u>0</u>
Capital Assets, Net	<u>\$224,842</u>	<u>\$116,371</u>	<u>\$107,077</u>

Capital additions for the year consist of the following:

Reception Area Building Remodel	<u>\$ 140,630</u>
Total Capital Additions	<u>\$ 140,630</u>

The only capital purchase being considered by management for FY19 is the possible acquisition of another signal in Monroe County. This depends on whether it will cover substantially the same area as 103.7 and can be bought at a reasonable price. Remodeling is planned for Radio Master Control to move some racks upstairs to Television Master Control for easier and more efficient monitoring. That area would be repurposed into compact storage for music and an additional workstation.

Economic Outlook

After studio upgrades, WFIU will now turn its attention to combining Radio Master Control with its TV counterpart; practically, that means moving equipment to a central location upstairs, which should make for easier and faster monitoring. The station continues to enjoy strong audience support and is now the most listened-to station in Monroe County. WFIU is seeing solid patronage from listeners and businesses. State and federal support are steady. Planned and fund-specific (classical, jazz, news) giving are still growing and these endowments will benefit the station for years to come. For the immediate future, management has begun a low-cost classical music syndication service and we expect to begin seeing net revenue for this in the next 12 months.

Technology continues to challenge traditional radio, as younger generations may not even own the device. Though older audiences continue to listen to legacy broadcasts, WFIU has moved to stay relevant by increasing podcasting, participation in the NPR One app, and expanded online streaming and webpages.

WFIU-FM Radio
(A Public Telecommunications Entity Operated by Indiana University)

Statements of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 592,804	\$ 328,514
Grants receivable	-	51,751
Total current assets	592,804	380,265
Non-current assets:		
Capital assets	715,804	582,683
Less accumulated depreciation	(490,962)	(466,312)
Total non-current assets	224,842	116,371
Total assets	817,646	496,636
Deferred outflow of resources - OPEB	50,853	-
Deferred outflow of resources - pension	67,660	100,302
Total deferred outflow of resources	118,513	100,302
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	69,549	133,040
Other liability	24,627	-
Compensated absences - current portion	132,000	102,000
Total current liabilities	226,176	235,040
Non-current liabilities:		
Net pension liability	143,623	149,275
Postemployment benefits liability	247,060	-
Compensated absences - long-term portion	10,204	48,964
Total non-current liabilities	400,887	198,239
Total liabilities	627,063	433,279
Deferred inflows of resources - OPEB	4,353	-
Deferred inflows of resources - pension	29,330	59,623
Total deferred inflow of resources	33,683	59,623
Net position:		
Investment in capital assets	224,842	116,371
Restricted for station activities	55,122	100,566
Unrestricted (deficit)	(4,551)	(112,901)
Total net position	\$ 275,413	\$ 104,036

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

WFIU-FM Radio
A Public Radio Station Operated by Indiana University

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating revenue:		
Facility sales and services	\$ 22,954	\$ 654
Miscellaneous grants	143,993	122,999
Event income	5,403	4,424
Royalty income	8,645	4,806
Total operating revenue	180,995	132,883
Operating expenses:		
Program services:		
Programming and production	1,613,898	1,763,614
Broadcasting	238,757	339,276
Public information and promotion	362,381	252,152
Total program expenses	2,215,036	2,355,042
Supporting services:		
Management and general	415,514	521,045
Fundraising, membership development, and underwriting solicitation	387,458	395,806
Total supporting expenses	802,972	916,851
Total operating expenses	3,018,008	3,271,893
Operating loss	(2,837,013)	(3,139,010)
Non-operating revenues:		
General fund support from Indiana University	1,389,686	1,291,137
Donated facilities and administrative support from Indiana University	179,603	165,744
Appropriation from State of Indiana	42,438	56,583
CPB contributions	215,098	317,610
Individual contributions	91,395	51,609
Corporate/foundation contributions	1,283,663	1,180,376
In-kind support - other	21,104	19,281
Net non-operating revenue	3,222,987	3,082,340
Increase (decrease) in net position	385,974	(56,670)
Net position, beginning of year, as restated (Note 7)	(110,561)	160,706
Net position, end of year	\$ 275,413	\$ 104,036

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

WFIU-FM Radio
(A Public Telecommunications Entity Operated by Indiana University)

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Grants	\$ 195,500	\$ 125,649
Sales and services	22,954	654
Payments to employees	(1,841,492)	(1,820,288)
Payments to vendors	(1,040,751)	(1,146,891)
Other receipts	14,292	9,230
Net cash used in operating activities	(2,649,497)	(2,831,646)
Cash flows from noncapital financing activities:		
General Fund support from Indiana University	1,389,686	1,291,137
Appropriation from State of Indiana	42,438	56,583
Contributions	1,614,784	1,549,595
Net cash provided by noncapital financing activities	3,046,908	2,897,315
Cash flows from capital and related financing activities:		
Purchase of capital assets	(133,121)	(33,895)
Net cash used by capital and related financing	(133,121)	(33,895)
Net increase in cash	264,290	31,774
Cash and cash equivalents - beginning of year	328,514	296,740
Cash and cash equivalents - end of year	\$ 592,804	\$ 328,514
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (2,837,013)	\$ (3,139,010)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	24,650	24,601
Donated facilities and administrative support from Indiana University	179,603	165,745
In-kind support - State of Indiana/other	21,104	19,281
Decrease in assets:		
Grant receivable	51,751	2,650
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(63,491)	76,412
Net pension and related deferrals	(3,303)	(7,982)
Postemployment benefits liability and related deferrals	(14,037)	-
Compensated absences	(8,761)	26,657
Net cash used in operating activities	\$ (2,649,497)	\$ (2,831,646)

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

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Organization

WFIU-FM (the Station) is a public radio station operated by the Radio and Television Services Department of Indiana University (the University) on behalf of the Trustees of the University.

The financial statements reflect only the activity of the Station and are not intended to present fairly the position of the University, and the results of its operations and cash flows.

B. Related Organization

The Indiana University Foundation, Inc. (IU Foundation) is organized as a not-for-profit corporation under the laws of the State of Indiana for the exclusive purpose of supporting the University by receiving, holding, investing, and administering property and making expenditures to or for the benefit of the University. The IU Foundation receives both general contributions and membership contributions on behalf of the Station, and provided support totaling \$1,154,851 and \$1,082,006 to the Station during fiscal years 2018 and 2017, respectively.

C. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared by the Station as a special-purpose government entity engaged in business-type activities. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Intrafund transactions within the Station have been eliminated in the financial statements. The Station follows all applicable GASB pronouncements.

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

D. Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments with maturities of 90 days or less that bear little or no market risk.

E. Grants Receivable

Grants receivable are amounts due from external granting entities.

F. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist primarily of amounts due for accrued payroll and other operating expenses.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

G. Deferred Outflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services.

H. Compensated Absences

Compensated absences represents actual earned vacation/sick time accruals for eligible employees who qualify for termination or retirement benefits. These benefits are vested and paid out according to University policy at termination or retirement.

I. Deferred Inflows of Resources

In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period, but do not require a further exchange of goods or services.

J. Operating and Non-Operating Revenues

Operating revenues consist of production sales and services, royalties, auction revenues, special event revenues, and miscellaneous grants for operating activities. All other revenues are included as non-operating revenues. Non-operating revenues include significant revenue sources that are relied upon for operations such as the community service grant from the Corporation for Public Broadcasting (CPB), IU Foundation contributions, University appropriations and state appropriations. The CPB grants have been classified as contribution (non-exchange) revenue.

K. Revenue Recognition – Unrestricted

Unrestricted contributions, pledges, and grants are recorded as revenue when received.

L. Revenue Recognition – Restricted

Operating funds restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues when received, and reclassified to unrestricted net position when the Station has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet spent are reported as restricted net position.

M. General Fund Support

The Station receives support from the University's Bloomington campus in the form of an annual general fund allocation to the Station, which may be used for capital or noncapital expenditures. This category also includes any additional allocations from the Bloomington Provost and expenditures made by other departments for the direct benefit of the Station.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

N. 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.

O. 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 revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

P. Income Taxes

The Station, operating as a department of the University, is exempt from federal income tax, except on activities unrelated to its exempt purpose, under Internal Revenue Code Section 501(c)(3). There was no required provision for income taxes for fiscal years 2018 and 2017.

Q. Capital Assets

The capitalization threshold for capital assets is \$5,000 or greater and a useful life in excess of one year. Capital assets are recorded at cost at the date of purchase or acquisition value at the date of contribution in the case of gifts. Donated capital assets from the University are recorded by the Station at net book value of the University. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Transmission, antenna and tower	5-15
Studio and other broadcast equipment	3-10
Building components	40

R. Adoption of New Standard

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires governments providing postemployment benefits other than pensions (OPEB) to recognize their unfunded actuarial accrued liability on the balance sheet and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI) for material items. See Note 7.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

S. Net Position

Net position is the residual of all other elements presented in the statement of net position and is classified into three major categories:

- Investment in capital assets consists of the University's investment in capital assets, such as equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation.
- Restricted net position consists of amounts subject to externally imposed restrictions by third parties governing usage and must be spent according to the restrictions.
- Unrestricted net position includes amounts institutionally designated or committed to support specific purposes. Unrestricted resources are not subject to externally imposed restrictions and are primarily used for station operational expenses. When an expense is incurred for which both restricted and unrestricted resources are available, the Station's policy is to apply restricted resources first.

Note 2. Deposits and Investments

A. Deposits

WFIU-FM maintains no directly held bank accounts. Rather, the Station's funds are held and managed by the University. The University has an Investment Policy Statement. The investment policy ultimately determines the credit risk for the Station. The Station's "demand deposits" were as follows:

	2018	2017
Indiana University	\$ 592,804	\$ 328,514

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Station will not be able to recover its funds. The Station does not have a formal deposit policy for custodial credit risk.

B. Investments

Statutory authorization for investments

The University Board of Trustees has acknowledged responsibility as a fiduciary body for the invested assets of the University. Indiana Code 30-4-3-3 requires the trustees to "exercise the judgment and care required by Indiana Code 30-4-3.5," the Indiana Uniform Prudent Investor Act. That Act requires the trustees to act "as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." The trustees have the responsibility to assure the assets are prudently invested in a manner consistent with the University's investment policy. The trustees have delegated the day-to-day responsibilities of overseeing the investment program to the Office of the Treasurer. As of June 30, 2018 and 2017, the Station did not hold any investments.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 3. Capital Assets

Capital assets include both purchased and donated assets. There were no donated capital assets during fiscal year 2018. Capital asset activity for the years ended June 30, 2018 and 2017, were as follows:

	2018			
	Beginning Balance	Additions	Retirements	Ending Balance
Transmission, antenna and tower	\$ 527,614	\$ -	\$ -	\$ 527,614
Studio and other broadcast equipment	55,069	(7,509)	-	47,560
Building components	-	140,630	-	140,630
Total	<u>582,683</u>	<u>133,121</u>	<u>-</u>	<u>715,804</u>
Less accumulated depreciation:				
Transmission, antenna and tower	450,756	15,957	-	466,713
Studio and other broadcast equipment	15,556	6,935	-	22,491
Building components	-	1,758	-	1,758
Total accumulated depreciation	<u>466,312</u>	<u>24,650</u>	<u>-</u>	<u>490,962</u>
Capital assets, net	<u>\$ 116,371</u>	<u>\$ 108,471</u>	<u>\$ -</u>	<u>\$ 224,842</u>

	2017			
	Beginning Balance (As Restated)	Additions	Retirements	Ending Balance
Transmission, antenna and tower	\$ 517,374	\$ 10,240	\$ -	\$ 527,614
Studio and other broadcast equipment	31,414	23,655	-	55,069
Total	<u>548,788</u>	<u>33,895</u>	<u>-</u>	<u>582,683</u>
Less accumulated depreciation:				
Transmission, antenna and tower	431,408	19,348	-	450,756
Studio and other broadcast equipment	10,303	5,253	-	15,556
Total accumulated depreciation	<u>441,711</u>	<u>24,601</u>	<u>-</u>	<u>466,312</u>
Capital assets, net	<u>\$ 107,077</u>	<u>\$ 9,294</u>	<u>\$ -</u>	<u>\$ 116,371</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was charged to the major functional areas as follows:

	2018	2017
Depreciation expense:		
Programming and production	\$ 6,935	\$ 5,253
Broadcasting	15,957	19,348
Management and general	1,758	-
Total depreciation expense	<u>\$ 24,650</u>	<u>\$ 24,601</u>

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 3. Capital Assets (Continued)

For capital assets partially financed with U. S. Department of Commerce NTIA/PTFP grants, the Federal Government requires a ten-year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the capital asset for a ten-year period (dating from the PTFP's approval of the final inventory for the grant) in case the Station defaults on the terms and conditions of the grant. The capital assets against which the Federal Government has a lien are:

Capital Assets	DOC Grant Number	Original Cost	Lien Through
FM Translators (Greensburg/French Lick)	18-01-N06131	\$ 46,990	6/2018
Digital Conversion: 2nd Audio Channel	18-01-N07185	49,830	9/2018

Note 4. Indiana University Donated Facilities and Administrative Support

Administrative support from the University consists of institutional support, donated facilities, and physical plant operations. These are included as revenue and expense in the statement of revenues, expenses, and changes in net position.

Institutional support from the University is estimated at \$78,763 and \$65,856 for fiscal years ending June 30, 2018 and 2017, respectively, and is computed using operating expenses as the base.

Physical plant support from the University is estimated at \$19,095 and \$17,939 for fiscal years ending June 30, 2018 and 2017, respectively. This represents the Station's pro rata share of allowable physical plant costs not allocated by the University based on gross square feet. The physical plant costs allocated to the Station by the University are included in the general fund support from the University.

The value of the University donated facilities is calculated on the Annual Value Computations for Buildings and Tower Facilities form provided by the Corporation for Public Broadcasting. For the renovated Radio and TV Building for fiscal years ending June 30, 2018 and 2017, the totals for the Station were \$75,601 and \$75,788, respectively. For the new roof and satellite dish mount on the Radio and TV Building for fiscal years ending June 30, 2018 and 2017, the totals for the Station were \$6,144 and \$6,160, respectively. No value is claimed for the Transmitter Building because its remaining useful life is zero.

Note 5. Compensated Absences

Compensated activity for the years ended June 30, 2018 and 2017, was as follows:

	2018					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	\$ 150,964	\$ 124,468	\$ 133,228	\$ 142,204	\$ 132,000	\$ 10,204

	2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-current Portion
Compensated absences	\$ 124,306	\$ 102,441	\$ 75,783	\$ 150,964	\$ 102,000	\$ 48,964

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits

The Station's appointed employees are covered by the same retirement plans as other employees of the University. Complete details of these plans can be found in the Indiana University Annual Financial Report, which can be found on the Indiana University website: <https://vpcfo.iu.edu/resources/>.

The required contributions are pooled at the University level and charged to the Station at a predetermined percentage set for the fiscal year as each covered employee is paid. The Station does not have any funding obligation once an employee retires.

Non-exempt staff retirement plan expenses for the years ended June 30, 2018 and 2017 were \$38,473 and \$33,491, respectively. Exempt staff retirement plan expenses for the years ended June 30, 2018 and 2017 were \$122,321 and \$122,508, respectively.

Retirement and Savings Plan - All Support and Service employees with at least a 50% full-time equivalent (FTE) appointment and Temporary with Retirement employees scheduled to work at least 1,000 hours or more in a calendar year hired on or after July 1, 2013, participate in the Retirement and Savings Plan. This is a defined contribution plan under IRC 401(a) with two distinct contribution provisions.

Academic & Professional Staff Employees - Appointed academic and professional staff employees with at least 50% FTE are covered by the IU Retirement Plan. This is a defined contribution plan under IRC 403(b) with four contribution levels. In addition, the University provides early retirement benefits to full-time appointed academic and professional staff employees who were in positions Grade 16 and above on or before June 30, 1999. The IU 18/20 Retirement Plan allows this group of employees to retire as early as age 64, provided the individual has at least 18 years of participation in the IU Retirement Plan and at least 20 years of continuous University service.

Indiana Public Employees' Retirement Fund

The University contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan with an annuity savings account provision. Indiana Public Retirement System (INPRS) administers the cost-sharing, multiple-employer public employee retirement plans, which provide retirement benefits to plan members and beneficiaries. Support, technical, and service employees with at least a 50% full-time equivalent (FTE) appointment hired prior to July 1, 2013, participate in the PERF plan. There were 3 active Station employees covered by this retirement plan as of June 30, 2018 and 2017. State statutes authorize the university to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension and an annuity savings account, both of which are funded by employer contributions. Contributions to PERF are determined by INPRS Board of Trustees in accordance with IC 5-10.2-2-11 and are based on actuarial investigation and valuation. Per IC 5-10.2-4-4, key elements of the pension formula include years of PERF creditable service multiplied by average annual compensation multiplied by 1.1%, resulting in an annual lifetime benefit. Cost of living adjustments for members in pay status are not guaranteed by statute, but may be granted by the Indiana General Assembly on an ad hoc basis. Refunds of employee contributions are included in total benefit payments. Participants must have at least ten years of PERF creditable service to have a vested right to the pension benefit. The annuity savings account consists of contributions set by state statute at 3.0% of compensation plus the earnings credited to members' accounts. Participants are 100% vested from inception in the annuity savings account. The university has elected to make the contributions for annuity savings account on behalf of the members. INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The financial report and corresponding fiduciary net position is prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

Investments of the pension plan are valued as follows: Pooled and non-pooled investments are reported at fair value. Short-term investments are reported at cost. Fixed income and equity securities are valued based on published market prices, quotations from national security exchanges or using modeling techniques that approximate a fair value for securities that are not traded on a national exchange. Alternative investments are valued based on quoted market prices or using estimates of fair value in the absence of readily determinable public market values. Derivative instruments are marked to market daily. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling 1-844-464-6777, or by reviewing the Annual Report online at www.in.gov/inprs/annualreports.htm.

Required and actual contributions allocated to the Station totaled \$20,796 and \$22,939 for fiscal years ended June 30, 2018 and 2017, respectively. This represented an 11.2% pension benefit contribution for fiscal years ended June 30, 2018 and 2017, and a 3.0% contribution for the annuity savings account provisions each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 and 2017, the Station's reported allocation of the University's share of the net pension liability was \$143,623 and \$149,275, respectively. The net pension liability was based on the University's measurement date of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, which used update procedures to roll forward the estimated liability to June 30, 2017. The Station's proportion of the net pension liability was based on wages reported by the Station relative to the collective wages of the University reported to the plan. At June 30, 2018 and 2017, the Station's proportion was .156%. The Station's pension expense as of June 30, 2018 and 2017, was \$22,285 and \$20,144, respectively.

At June 30, 2018, the Station 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	\$ 2,728	\$ 112
Changes in assumptions	2,306	-
Net difference between projected and actual earnings on pension plan investments	15,518	-
Changes in proportion and differences between allocated contributions and proportionate share of contributions	26,312	29,218
Allocated contributions subsequent to measurement date	20,796	-
Total	<u>\$ 67,660</u>	<u>\$ 29,330</u>

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

Deferred outflows of resources in the amount of \$20,796 related to pensions resulting from university contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

At June 30, 2017, the Station 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	\$ 3,345	\$ 276
Changes in assumptions	6,586	-
Net difference between projected and actual earnings on pension plan investments	24,433	-
Changes in proportion and differences between allocated contributions and proportionate share of contributions	42,998	59,347
Allocated contributions subsequent to measurement date	22,940	-
Total	<u>\$ 100,302</u>	<u>\$ 59,623</u>

Deferred outflows of resources in the amount of \$22,939 related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal years ended June 30,	
2018	\$ 4,357
2019	10,640
2020	3,309
2021	(772)
	<u>\$ 17,534</u>

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

Actuarial Assumptions – The total pension liability as of the measurement dates June 30, 2017, and June 30, 2016, based on the results of actuarial valuation dates of June 30, 2016, and June 30, 2015, and rolled forward to June 30, 2017 and 2016, respectively, were determined using the following actuarial assumptions, which were applied to all periods included in the measurement:

	Measurement date as of June 30, 2017	Measurement date as of June 30, 2016
Cost of living	1.0%	1.0%
Rate of inflation	2.25%, average	2.25%, average
Salary increases	2.50% to 4.25%	2.50% to 4.25%
Investment rate of return	6.75%, net of pension plan investment expense	6.75%, net of pension plan investment expense
Mortality rates	Based on RP 2014 (with MP 2014 improvement removed) Total Data Mortality Tables and Disability Mortality tables for disabled members	Based on RP 2014 (with MP 2014 improvement removed) Total Data Mortality Tables

The actuarial assumptions used in the valuations of June 30, 2017, were adopted by the Indiana Public Retirement System Board pursuant to the experience studies completed in April 2015, which reflected the experience period from July 1, 2010, through June 30, 2014. The valuations of June 30, 2017, incorporate member census data as of June 30, 2016, adjusted for certain activity during fiscal year 2017. Standard actuarial techniques were used to roll forward valuation results over one year.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 geometric 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
Public equity	22.0%	4.9%
Private equity	14.0%	5.7%
Fixed income - ex-inflation linked ¹	20.0%	2.3%
Fixed income - inflation linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real estate	7.0%	3.7%
Absolute return	10.0%	3.9%
Risk parity	12.0%	5.1%
Total	100.0%	

¹ Includes cash and cash equivalents

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

Discount rate – The discount rate used to measure the total pension liability was 6.75% for PERF as of the measurement dates June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the Station’s proportionate share of the PERF net pension liability – The following table presents the Station’s proportionate share of the PERF net pension liability using the discount rate of 6.75% for both years, as well as what the Station’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Sensitivity of pension liability	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
June 30, 2018	\$ 209,469	\$ 143,623	\$ 88,887
June 30, 2017	214,394	149,275	95,151

Other Postemployment Benefits

The University provides certain postemployment benefits for retired employees that the Station as a department of the University participates in. The IU 18/20 Plan, Medical, and Life Insurance benefits are presented for financial statement purposes as a consolidated plan (the Plan) under the requirements for reporting Other Postemployment Benefit Plans (OPEB) required by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). The Plan is a single-employer defined benefit plan administered by the University. The 18/20 Plan provides interim benefits to full-time appointed academic and professional staff employees who meet the following eligibility requirements: 18 years of participation in the IU Retirement Plan 15% level, at least 20 years of continuous full-time University service, and at least 64 years of age. This group of employees is eligible to receive monthly payments based on a hypothetical monthly annuity amount at age 70, up to the amount of terminal base salary, calculated as the average budgeted base salary for the five 12-month periods immediately preceding retirement. The 18/20 Plan was adopted by the Trustees of Indiana University (trustees). The University provides medical care coverage to individuals with retiree status and their eligible dependents. The cost of the coverage is borne fully by the individual. However, retiree medical care coverage is implicitly more expensive than active-employee coverage, which creates an implicit rate subsidy. The University provides retiree life insurance benefits in the amount of \$6,000 to terminated employees with retiree status. The health and life insurance plans have been established and may be amended under the authority of the trustees. The Plan does not issue a stand-alone financial report.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Station reported \$247,060 for its total OPEB liability and \$20,177 for its total OPEB expense. The total OPEB liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. The Station’s proportion of the OPEB liability was based on wages reported by the Station relative to the collective wages of the University. At June 30, 2018 the Station’s proportion was .092%.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

There were significant changes in assumptions and differences between expected and actual experience during fiscal year 2018. The discount rate changed from 3.58% as of July 1, 2017 to 3.87% as of June 30, 2018. There was a change in cost methods from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level percent of Salary. The medical plan available to retirees has been changed from the PPO \$900 Deductible plan (which is no longer offered) to the Anthem PPO HDHP plan. The mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0% which resulted in an increase in liabilities. The University has not had a recent experience study. The actuarial assumptions for non-18/20 Plans have not been updated since the 2006 valuation.

At June 30, 2018, the Station reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions:		
18/20 Plan	\$ -	\$ 647
Retiree health insurance	2,860	-
Retiree life insurance	-	743
Differences between expected and actual experience:		
18/20 Plan	-	2,963
Retiree health insurance	47,937	-
Retiree life insurance	56	-
Total	<u>\$ 50,853</u>	<u>\$ 4,353</u>

These amounts will be recognized in OPEB expense for the years ending June 30 as follows:

	18/20 Plan	Retiree Health Insurance	Retiree Life Insurance	Total
2019	\$ (452)	\$ 6,350	\$ (86)	\$ 5,812
2020	(452)	6,350	(86)	5,812
2021	(452)	6,350	(86)	5,812
2022	(452)	6,350	(86)	5,812
2023	(452)	6,350	(86)	5,812
Thereafter	(1,350)	19,047	(257)	17,440
	<u>\$ (3,610)</u>	<u>\$ 50,797</u>	<u>\$ (687)</u>	<u>\$ 46,500</u>

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 6. Retirement Plans and Postemployment Benefits (Continued)

Actuarial Assumptions – The total OPEB liability as of June 30, 2018, is based on the results of an actuarial valuation date as of June 30, 2018, with no adjustments to get to the June 30, 2018 measurement date. Significant actuarial methods and assumptions used to calculate the Station’s total OPEB liability were:

Payroll growth (medical/life plan)	3.0%
Payroll growth (18/20 plan)	2.5%
Rate of inflation	3.0%
Health care cost trend rates	9.0% for fiscal year 2019 to 5.0% for fiscal year 2027 and later years
Mortality rates	Based on RPH 2017 Total Data Set Mortality Table fully generational using Scale MP 2017
Actuarial cost method	Entry Age Normal Level % of Salary

Discount rate – The discount rate used in valuing OPEB liabilities as of June 30, 2018, was 3.87%. The discount rate must be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer GO 20 index was used for the current discount rate.

Sensitivity of total OPEB liability to the discount rate – The following table presents the June 30, 2018, total OPEB liability using the discount rate of 3.87% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Sensitivity of total OPEB liability</u>	<u>1% Decrease (2.87%)</u>	<u>Current Discount (3.87%)</u>	<u>1% Increase (4.87%)</u>
18/20 plan	\$ 120,822	\$ 118,599	\$ 116,340
Retiree health insurance	103,518	95,186	87,552
Retiree life insurance	39,017	33,275	28,733
	<u>\$ 263,357</u>	<u>\$ 247,060</u>	<u>\$ 232,625</u>

Sensitivity of total OPEB liability to the health care trend rate – The following table presents the June 30, 2018, total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Sensitivity of total OPEB liability</u>	<u>1% Decrease (8% decreasing to 4%)</u>	<u>Current Trend (9% decreasing to 5%)</u>	<u>1% Increase (10% decreasing to 6%)</u>
Retiree health insurance	\$ 84,736	\$ 95,186	\$ 107,540

The 18/20 and retiree life insurance plans are not included above as they do not have a health care component.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 7. Restatement

The Station restated beginning net position as follows:

Net position July 1, 2016, as previously reported	\$ 277,283
Recognize net pension liability and deferred outflows/inflows of resources	<u>(116,577)</u>
Net position July 1, 2016, as restated	<u>\$ 160,706</u>
Net position July 1, 2017, as previously reported	\$ 212,631
Recognize net pension liability and deferred outflows/inflows of resources	(108,595)
Recognize OPEB liability	<u>(214,597)</u>
Net position July 1, 2017, as restated	<u>\$ (110,561)</u>

The net position was restated for the recognition of the net pension liability, deferred outflows of resources, and deferred inflows of resources under GASB 68, *Accounting and Financial Reporting for Pensions*, allocated to the Station from the University. The effect on the change in net position as previously reported for the year ended June 30, 2017 is an increase of \$7,982.

In accordance with GASB Statement No. 75, the Station has reported a \$214,597 change in accounting principle adjustment to unrestricted net position as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ending June 30, 2017.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note 8. Risk Management

The University is exposed to various risks of loss, including torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of students, employees and their dependents. The University manages these risks through a combination of risk retention and commercial insurance, including coverage from internally maintained funds, as well as from a wholly-owned captive insurance company, Old Crescent Insurance Company (OCIC). The University is self-funded for damage to buildings and building contents for the first \$100,000 per occurrence with an additional \$400,000 per occurrence covered by OCIC, with commercial excess property coverage above this amount. The University is self-funded for comprehensive general liability and automobile liability for the first \$100,000 per occurrence with an additional \$900,000 per occurrence covered by OCIC and with supplementary commercial liability umbrella policies. The University has a malpractice and professional liability policy in the amount of \$400,000 for each claim and \$1,200,000 annually in aggregate provided by OCIC. The University is self-funded for the first \$850,000 for each Workers' Compensation claim and \$125,000 in the aggregate for all claims in excess of \$850,000 for each claim. Workers' Compensation claims above these amounts are covered by commercial insurance and are subject to statutory limits. The University is self-funded for the first \$850,000 for employer liability claims with an additional \$1,000,000 in coverage through commercial insurances. The amount of settlements has not exceeded insurance coverage in any of the past three fiscal years. The Station's contribution is included in the contributed support and expense allocation from the University.

The University has three health care plans for full-time appointed employees, one of which is also available to retirees not eligible for Medicare. All of the employee plans are self-funded by the University. All organizational units of the University, including the Station, are charged fees based on estimates of the amounts necessary to pay health care coverage costs, including premiums and claims.

WFIU-FM
(A Public Telecommunications Entity Operated by Indiana University)

Required Supplementary Information
Schedule of the Station's Proportionate Share of the Net Pension Liability
for Indiana Public Employee's Retirement Fund (Last 10 years¹)

	2018	2017
Measurement date	June 30, 2017	June 30, 2016
Station's proportion of the net pension liability	0.00156%	0.00156%
Station's proportionate share of the net pension liability	\$ 143,623	\$ 149,275
Station's covered payroll	\$ 200,466	\$ 217,632
Station's proportionate share of the net pension as a percentage of its covered payroll	71.64%	68.59%
Plan fiduciary net position as a percentage of the total pension liability	76.60%	75.30%

¹ GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to those presented. Additional years will be included in future reports as data becomes available.

See note to required supplementary information.

WFIU-FM
(A Public Telecommunications Entity Operated by Indiana University)

Required Supplementary Information
Schedule of Station Contributions for the Indiana Public Employee's
Retirement Fund (Last 10 years¹)

	2018	2017
Statutorily required contribution	\$ 20,796	\$ 22,939
Contributions in relation to the statutorily required contributions	(20,796)	(22,939)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Station's covered payroll	\$ 185,522	\$ 210,846
Contributions as a percentage of covered payroll	11.21%	10.88%

¹ GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to those presented. Additional years will be included in future reports as data becomes available.

See note to required supplementary information.

WFIU-FM Radio
A Public Telecommunications Entity Operated By Indiana University

Notes to Financial Statements

Note to Required Supplementary Information – Pension Liability

Changes of Benefit Terms:

None

Changes of Assumptions:

For active and inactive vested members, the INPRS Board approved a \$400 salary load to be added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment. For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

WFIU-FM
(A Public Telecommunications Entity Operated by Indiana University)

Required Supplementary Information
Schedule of the Station's Proportionate Share of the Total OPEB Liability
and Notes - Indiana University OPEB Plans (Last 10 years¹)

	2018
Station's proportion of the total OPEB liability	0.092%
Station's proportionate share of the total OPEB liability	\$ 247,060
Station's covered payroll	\$ 1,206,949
Station's proportionate share of the total OPEB as a percentage of its covered payroll	20.47%

¹ GASB Statement No. 68 requires disclosure of a 10-year schedule. The financial statement information was not available for years prior to the one presented. Additional years will be included in future reports as data becomes available.

Notes:

Benefit Changes:

There were no changes of benefit terms for the plan year ended June 30, 2018; however, the medical plan available to retirees has been changed from the PPO \$900 Deductible plan (which is no longer offered) to the Anthem PPO HDHP plan.

Changes in Assumptions:

The discount rate was 3.87% as of June 30, 2018, and 3.58% as of July 1, 2018. The actuarial cost method was updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. The mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%.