

WQPT-TV

**A Public Broadcast Station Operated as a
Department of Western Illinois University**

Financial Report
June 30, 2016

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Independent Auditor's Report

RSM US LLP

To the Board of Trustees
Western Illinois University
Macomb, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise WQPT-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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, 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 Western Illinois University that is attributable to the transactions of WQPT-TV. They do not purport to, and do not, present fairly the financial position of Western Illinois University as of June 30, 2016 and 2015, 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 9 to the financial statements, WQPT-TV has elected to change its method of accounting for unspent grants with a purpose restriction during the year ended June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended June 30, 2016 and 2015, dated January 13, 2017 and January 13, 2016, respectively, on our consideration of WQPT-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of our audits performed in accordance with *Government Auditing Standards* in considering WQPT-TV's internal control over financial reporting and compliance.

RSM US LLP

Davenport, Iowa
January 13, 2017

**WQPT-TV Public Broadcast Station
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Management's Discussion and Analysis

Introduction

WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2016 and 2015. WQPT-TV encourages readers to consider this information in conjunction with WQPT-TV's financial statements, which follow.

Overview of the Basic Financial Statements

WQPT-TV presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to WQPT-TV's basic financial statements. This report includes a series of financial statements and other information, as follows:

- The Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of WQPT-TV's financial activities.
- The statements of net position present information on WQPT-TV's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of WQPT-TV is improving or deteriorating.
- The statements of revenues, expenses and changes in net position present information on WQPT-TV's operating revenues and expenses, nonoperating revenues and expenses and whether WQPT-TV's financial position has improved or deteriorated as a result of the year's activities.
- The statements of cash flows present the change in WQPT-TV's cash and cash equivalents during the year. This information can assist readers of the report in determining how WQPT-TV financed its activities and how it met its cash requirements.
- Notes to basic financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights

For the year ended June 30, 2016, WQPT-TV recorded total operating revenues of \$1,567,220 and total operating expenses of \$1,875,054. The difference produced an operating loss of \$307,834. Net nonoperating revenue of \$182,530 offset this loss and resulted in an overall decrease in net position of \$125,304.

Operating revenues accounted for 90 percent of WQPT-TV's total revenue. Operating revenues include community service broadcasting grants from the Corporation for Public Broadcasting (CPB) totaling \$821,202; viewer memberships totaling \$375,392 and contributions of \$157,354.

Nonoperating revenues accounted for the other 10 percent of WQPT-TV's total revenue and include donated support of \$197,702 and investment earnings of \$20,307.

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Management's Discussion and Analysis

Operating expenses consisted of all program and support services, expenditures of donated administrative, occupancy and other support, and related depreciation expense. Program services accounted for 62 percent of WQPT-TV's total operating expenses. Program services include WQPT-TV's core activities of programming a public television service, producing local programming and other on-air and web content, engineering, educational services and community outreach, membership services, and related occupancy and depreciation expenses. Support services accounted for 38 percent of WQPT-TV's total operating expenses. Support services consisted of management and administrative costs, fundraising, and related occupancy and depreciation expenses.

Economic Factors

Western Illinois University: WQPT-TV receives no direct cash support from the University. The University's support is based on a percentage of total University and Western Illinois University Foundation (Foundation) expenses.

Support for Fiscal Year 2016 decreased from Fiscal Year 2015 by \$33,520. This is a result of the University updating the formula for figuring station support. The Foundation included support they provide WQPT-TV and the University's physical plant use is now based on the percentage of the Quad City Campus where we are located rather than both campuses.

State of Illinois — Via the Illinois Arts Council: WQPT-TV receives a yearly broadcasting grant directly from the State of Illinois which is distributed via the Illinois Arts Council (IAC).

In Fiscal Year 2015, WQPT-TV received its annual grant in two parts, basic and operating. Each eligible Illinois Public Television station receives an equal award as the basic grant. The operating grant is awarded to eligible stations based on each station's respective percent of total operating costs for all stations.

In Fiscal Year 2016, WQPT-TV did not receive its annual grant from the Illinois Arts Council due to funding difficulty in the state of Illinois.

Federal — Corporation for Public Broadcasting (CPB): CPB's allocated funding to WQPT-TV decreased \$67,153 from Fiscal Year 2015 levels but was offset by a change in accounting policy discussed in Note 9 which increased revenue recognized by \$131,328 for a net increase of \$64,175. We are planning to continue increasing our NFFS to grow our annual award.

Local Fundraising: WQPT-TV's membership revenue decreased by \$181,516 from 2015. This is due to two bequests received in Fiscal Year 2015 not received in Fiscal Year 2016.

The local non-profit sector continues to experience reduced funding from traditional federal and state sources. Because of the increased reliance on local sources for programming and operational support there is increased competition among area non-profits for funding from the local community.

Ownership and Management Factors

License Ownership and Operational Changes: WQPT-TV's license has been held by Western Illinois University since 2010. We have contracted with WQAD for Production facilities.

Personnel expenses decreased in 2016 due to a reduction in the number of full time employees at the station as positions that were vacated in Traffic and Programming were outsourced rather than replaced.

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WQPT moved our contract for Master Control Services from Westar Communications to WTVP beginning July 1, 2014. We paid WTVP the monthly service fee in May 2014 and June 2014 to aid in the transition. The contract allows WQPT to air programs in HD and also provides fiber connection to the Orion, IL tower. This provides our viewers a more reliable and high quality signal.

	June 30,		
	2016	2015	2014
Current assets	\$ 593,492	\$ 814,745	\$ 780,938
Capital assets, net	229,054	259,927	342,179
Other assets	461,447	496,926	521,868
Total assets	\$ 1,283,993	\$ 1,571,598	\$ 1,644,985
Current liabilities	\$ 102,071	\$ 264,372	\$ 436,904
Noncurrent liabilities	-	-	-
Total liabilities	102,071	264,372	436,904
Net position:			
Investment in capital assets	229,054	259,927	342,179
Restricted - expendable for future operations	131,328	-	-
Unrestricted	821,540	1,047,299	865,902
Total net position	1,181,922	1,307,226	1,208,081
Total liabilities and net position	\$ 1,283,993	\$ 1,571,598	\$ 1,644,985

Condensed Statements of Net Position

WQPT-TV had net position at the beginning of the 2016 fiscal year totaling \$1,307,226. The net decrease in net position of \$125,304 brought the total of net position at the end of the fiscal year to \$1,283,993.

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Management's Discussion and Analysis

Condensed Statements of Revenue, Expenses and Changes in Net Position

	Year Ended June 30,		
	2016	2015	2014
Revenue:			
Subscription and memberships	\$ 375,392	\$ 556,908	\$ 304,070
Grants and other	944,028	945,728	838,645
Contributions and in-kind support	247,800	321,655	203,338
Nonoperating revenues	182,530	199,186	364,137
Total revenue	1,749,750	2,023,477	1,710,190
Expenses:			
Program services	1,159,536	1,160,187	996,296
Support services	715,518	764,145	878,870
Total expenses	1,875,054	1,924,332	1,875,166
Increase (decrease) in net position	(125,304)	99,145	(164,976)
Net position:			
Beginning	1,307,226	1,208,081	1,373,057
Ending	\$ 1,181,922	\$ 1,307,226	\$ 1,208,081

Revenues decreased \$273,727. Contributions and in-kind support decreased \$73,855. Nonoperating revenue decreased \$16,656.

Total expenses decreased by \$48,828. Support services decreased \$48,627.

Capital Assets

As of June 30, 2016, WQPT-TV had \$229,054 invested in capital assets, net of accumulated depreciation of \$891,522. Depreciation charges for fiscal year 2016 totaled \$30,873. More detailed information about WQPT-TV's capital assets is presented in Note 2 to the financial statements.

Requests for Information

This discussion and analysis is designed to provide the reader with a general overview of WQPT-TV Public Broadcast Station's finances and to show WQPT-TV Public Broadcast Stations accountability for the revenue it receives. If you have questions about this report or need additional information, please contact: Dawn Schmitt, WQPT-TV, 3300 River Drive, Moline, Illinois 61265.

WQPT-TV Public Broadcast Station
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Statements of Net Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 162,554	\$ 140,331
Amounts held by Western Illinois University Foundation	359,678	598,269
Receivables:		
Grants	-	2,482
Due from Western Illinois University Foundation	10,021	9,301
Other	61,239	64,362
Total current assets	593,492	814,745
Noncurrent assets:		
Amounts held by Western Illinois University Foundation	453,749	488,474
Other assets	7,698	8,452
Capital assets, equipment:		
Tower and earth receiving station	584,198	623,971
Studio and operating equipment	536,378	605,850
	1,120,576	1,229,821
Less accumulated depreciation	891,522	969,894
	229,054	259,927
Total noncurrent assets	690,501	756,853
	\$ 1,283,993	\$ 1,571,598
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 54,390	\$ 10,813
Wages payable	26,338	59,513
Accrued vacation	14,109	32,302
Due to Western Illinois University	-	27,707
Unearned revenue	7,234	134,037
Total current liabilities	102,071	264,372
Net position:		
Investment in capital assets	229,054	259,927
Restricted - expendable for future operations	131,328	-
Unrestricted	821,540	1,047,299
	1,181,922	1,307,226
	\$ 1,283,993	\$ 1,571,598

See notes to basic financial statements.

WQPT-TV Public Broadcast Station
A Public Broadcast Station
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Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
CPB - Community service grants	\$ 821,202	\$ 757,027
Contributions and special events, including in-kind donations for special events 2016 \$31,084; 2015 \$30,859, net of direct expenses 2016 \$11,985; 2015 \$12,132	157,354	196,875
Subscription and membership income	375,392	556,908
Other operating grants	122,826	188,701
Donated gifts in kind	90,446	124,780
Total operating revenues	1,567,220	1,824,291
Operating expenses:		
Program services:		
Programming and production	529,860	542,273
Broadcasting	304,867	369,205
Programming information	324,809	248,709
Total program services	1,159,536	1,160,187
Support services:		
Management and general	394,302	399,154
Fundraising and membership development	321,216	364,991
Total support services	715,518	764,145
Total operating expenses	1,875,054	1,924,332
Operating (loss)	(307,834)	(100,041)
Nonoperating revenues (losses):		
Unrealized gains (losses), net	(35,479)	(24,941)
Loss on the disposal of equipment	-	(26,994)
Investment earnings	20,307	19,899
Donated facilities and administrative support	197,702	231,222
Nonoperating revenues	182,530	199,186
Change in net position	(125,304)	99,145
Net position:		
Beginning	1,307,226	1,208,081
Ending	\$ 1,181,922	\$ 1,307,226

See notes to basic financial statements.

WQPT-TV Public Broadcast Station
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Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from subscriptions and memberships	\$ 389,860	\$ 556,908
Cash received from community service grants	702,649	597,030
Cash received from other operating revenue	765,315	434,070
Cash paid to suppliers	(1,064,875)	(873,470)
Cash paid to employees	(791,033)	(808,200)
Net cash provided by (used in) operating activities	1,916	(93,662)
Cash flows from investing activities, investment earnings	20,307	19,899
Net change in cash and cash equivalents	22,223	(73,763)
Cash and cash equivalents:		
Beginning	140,331	214,094
Ending	\$ 162,554	\$ 140,331
Reconciliation of operating loss to net cash from operating activities:		
Operating (loss)	\$ (307,834)	\$ (100,041)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	30,873	55,257
Donated facilities and administrative support expenses	197,702	231,222
Decrease (Increase) in amounts held by others	238,591	(166,282)
Decrease in receivables and other assets	4,885	58,714
Increase (Decrease) in accounts payable and accrued expenses	43,577	(27,809)
(Decrease) in wages payable and accrued vacation	(51,368)	(25,838)
(Decrease) in due to Western Illinois University	(27,707)	(2,686)
Increase (Decrease) in unearned revenue	(126,803)	(116,199)
Net cash provided by (used in) operating activities	\$ 1,916	\$ (93,662)

See notes to basic financial statements.

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Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: WQPT-TV is a public television broadcasting station and is a department of Western Illinois University. Western Illinois University is the licensee of WQPT-TV.

Reporting entity: WQPT-TV is a department of Western Illinois University (University) and is reported as an enterprise activity of the University. These financial statements present only the financial position, changes in financial position and cash flows of WQPT-TV and do not purport to, and do not, present fairly the financial position of the University and changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Accounting standards and basis of accounting: WQPT-TV reports under Government Accounting Standards Board (GASB) and presents its financial statements following GASB Statement No. 35, which establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following net position categories:

Investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted – expendable net position consists of amounts restricted to specific purposes when constraints are placed on the use of the resources are externally imposed by grantors.

Unrestricted net position consists of net position not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the Board of Trustees.

WQPT-TV's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Significant accounting policies:

Revenue recognition: Grant funds are reported as revenue when eligibility requirements have been met. Grant funds that have been received but have not met eligibility requirements are reported as unearned revenue. Revenue from subscriptions and memberships is reported as revenue when received. Contributions are from fundraising from special events and are reported as operating revenue when received.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: To better manage the resources of WQPT-TV, all of its cash and cash equivalents are accounted for on a pooled basis. Cash and cash equivalents at June 30, 2016, represent WQPT-TV's share of the University's pooled cash and cash equivalents, which includes deposits and short-term investments with original maturities of three months or less. Refer to the notes of the basic financial statements of the University related to the risks associated with the University's pooled cash.

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Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Amounts held by Western Illinois University Foundation: WQPT-TV has elected to transfer certain grants and fundraising monies to Western Illinois University Foundation (Foundation) to pool with the Foundation's cash and investments to maximize WQPT-TV's investment return. WQPT-TV's portion of investments held by the Foundation is reported at fair value. WQPT-TV recorded investment earnings based on an equitable distribution of investment returns of \$20,307 and \$19,899 for the years ended June 30, 2016 and 2015, respectively. It is the intent of the University and WQPT-TV to maintain the original corpus of the investments in the Foundation's pooled investments, allowing the income on the principal to be spent, which is withdrawn and allocated to WQPT-TV annually.

Receivables: Receivables include amounts due from the federal government and private grantors in connection with reimbursement of allowable expenditures made pursuant to WQPT-TV's grants and contract agreements. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history and the type of receivable. Management considers the receivables recorded at June 30, 2016 and 2015, to be fully collectible.

Other assets: Other assets represent a fund in the name of WQPT-TV established at the Community Foundation of the Great River Bend, by a contribution of \$10,000 made by the Station. The contribution is included in the Community Foundation investments and is reported at fair value. Distributions received are from the earnings and recorded as investment earnings. No distributions were received in the years ended June 30, 2016 and 2015.

Capital assets: Capital assets are recorded at cost on the date of acquisition, or at fair value in the case of gifts. Purchases of capital assets below \$5,000 are recorded as operating expenses. Depreciation on capital assets is computed on a straight-line method over the estimated useful lives of the assets, which generally range from 5 to 20 years.

Compensated absences: WQPT-TV employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as current liabilities. These liabilities have been computed based on rates of pay in effect as of fiscal year-end.

Unused sick leave may be accumulated up to a specified maximum, generally 300 calendar days. Unused and unpaid sick leave can be applied toward the service time requirements for computing retirement benefits. Civil service exempt and nonexempt employees have no specified maximum accumulation of unused sick leave days. As unused sick leave is not paid upon termination, an estimated liability is not recorded.

Operating revenue and expenses: WQPT-TV distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with WQPT-TV's principal ongoing operations. The principal operating revenues of WQPT-TV are grants for public broadcasting entities, including grants to enhance the quality of programming and expand the scope of public broadcasting services, as well as revenues received from subscriptions and memberships and contributions from donors. Operating expenses include cost of services, payments to suppliers and employees, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Donated facilities and administrative support: WQPT-TV receives the use of facilities and administrative support from the University and the Foundation. The value of donated facilities is computed using the valuation method currently advocated by the Corporation for Public Broadcasting and is based on the original cost of the facilities. Administrative support includes a portion of the University and the Foundation's financial, business, technology and other department costs and is based on WQPT-TV's operating expenses compared to the University and Foundation's direct costs. Physical plant support is based on square footage used. The value of this support is recognized in the statements of revenues, expenses and changes in net position as donated facilities and administrative support and also as expenses in the management and general expense category.

Subsequent events: WQPT-TV has evaluated subsequent events through January 13, 2017, the date the financial statements were available to be issued. As of this date, there were no subsequent events requiring disclosures.

Note 2. Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2016 and 2015 is as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets being depreciated:				
Equipment:				
Tower and earth receiving station	\$ 623,971	\$ -	\$ 39,773	\$ 584,198
Studio and operating equipment	605,850	-	69,472	536,378
Total capital assets being depreciated	1,229,821	-	109,245	1,120,576
Less accumulated depreciation for:				
Equipment:				
Tower and earth receiving station	497,435	11,559	39,773	469,221
Studio and operating equipment	472,459	19,314	69,472	422,301
Total accumulated depreciation	969,894	30,873	109,245	891,522
Total capital assets, net	\$ 259,927	\$ (30,873)	\$ -	\$ 229,054
	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets being depreciated:				
Equipment:				
Tower and earth receiving station	\$ 1,439,515	\$ -	\$ 815,544	\$ 623,971
Studio and operating equipment	1,966,419	-	1,360,569	605,850
Total capital assets being depreciated	3,405,934	-	2,176,113	1,229,821
Less accumulated depreciation for:				
Equipment:				
Tower and earth receiving station	1,276,369	9,616	788,550	497,435
Studio and operating equipment	1,787,387	45,641	1,360,569	472,459
Total accumulated depreciation	3,063,756	55,257	2,149,119	969,894
Total capital assets, net	\$ 342,178	\$ (55,257)	\$ 26,994	\$ 259,927

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Notes to Basic Financial Statements

Note 3. Lease Commitment and Rental Expense

WQPT-TV leases space at two communication towers under separate operating leases which expire August 2016 through March 2023. Total rent expense under these leases for the years ended June 30, 2016 and 2015 was \$64,175 and \$65,686, respectively.

Total rental commitments under these leases as of June 30, 2016 are as follows:

Year ending June 30:	
2017	\$ 48,231
2018	50,502
2019	52,887
2020	55,391
2021	58,020
2022 - 2023	118,844
	<u>\$ 383,875</u>

Note 4. Risk Management

WQPT-TV is exposed to various risks of loss related to employee health insurance, tort, theft, damage to or the destruction of assets, errors and omissions, injuries to employees, and natural disasters. Those risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5. Benefit Reimbursement Rate

WQPT-TV reimburses Western Illinois University for the benefits provided to WQPT-TV employees. The rate was 64 percent of total salaries for each of the years ended June 30, 2016 and 2015, which covered health, dental, and life insurance benefits which are provided by commercial providers.

Note 6. Pension Plan

Plan description: WQPT-TV employees are covered under Western Illinois University's (WIU) pension plan. WIU contributes to the State Universities Retirement System (SURS) of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. A summary of the benefit provisions as of June 30, 2015 can be found in SURS' comprehensive annual financial report (CAFR) notes to the financial statements.

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Notes to Basic Financial Statements

Note 6. Pension Plan (Continued)

Contributions: The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90 percent of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from “trust, federal, and other funds” are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions which are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal years 2015 and 2016 was 11.71 percent and 12.61 percent, respectively, of employee payroll. The normal cost is equal to the value of current year’s pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0 percent of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

Employer proportionate share of net pension liability: WQPT-TV is not required to recognize any liability for the proportionate share of the net pension liability due to the special funding situation. The proportionate share of the State’s net pension liability associated with WIU is approximately \$628,000,000 or 2.6451 percent. This amount should not be recognized in the financial statements. The net pension liability was measured as of June 30, 2015, and the total pension used to calculate the net pension liability was determined based on the June 30, 2014 actuarial valuation rolled forward to the measurement date. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable earnings made to SURS during fiscal year 2015.

Additional information: Additional information on the net pension liability including actuarial assumptions is included in WIU’s report. Additional information regarding the SURS basic financial statements including the Plan Net Position can be found in the SURS comprehensive annual financial report by accessing the website at www.SURS.org.

Note 7. Postemployment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for postemployment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental and vision benefits include basic benefits for annuitants and dependents under the State’s self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee’s Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant’s contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

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Note 7. Postemployment Benefits (Continued)

Public Act 97-0695, effective July 1, 2012, altered the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This act requires the Director of Central Management Services to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor or retired employee. These costs were assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. In July of 2014, the Illinois Supreme Court ruled that state retiree health care benefits are protected by the state constitution. The case then reverted to the Circuit Court for further proceedings. As a result, on August 28, 2014, the Sangamon County Circuit Court ordered the state to stop deducting monthly percentage-of-annuity health care premiums from annuity checks of state retirees and survivors enrolled in the State of Illinois Group Health Insurance Plan. The refunding of premiums paid since July 2013 is unresolved and will be decided by the courts.

The State pays the University's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including postemployment health, dental, vision, and life insurance benefits, is recognized as expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of postemployment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois 62763-3838.

Note 8. Fair Value Measurements

WQPT-TV was required to adopt GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in any alternative investments.

WQPT-TV categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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Note 8. Fair Value Measurements (Continued)

WQPT has two recurring fair value measurements as follows: Amounts held by Western Illinois University Foundation of \$813,427 and \$1,086,743 as of June 30, 2016 and 2015, respectively, which are valued based on WQPT-TV's share of the total assets held by the Foundation and the fair value of those assets which include marketable equity and debt securities, private equity funds, hedge funds and certificates of deposit (Level 3 inputs).

The investment at the Community Foundation of the Great River Bend included in other assets of \$7,698 and \$8,452 as of June 30, 2016 and 2015, respectively, is valued based on WQPT-TV's share of the total investments held by the Community Foundation of the Great River Bend which include marketable equity and debt securities, commodities, limited partnerships and hedge funds (Level 3 inputs).

Note 9. Change in Accounting Policy

WQPT-TV previously recognized revenue from grants as exchange transactions which resulted in unspent funds being recorded as unearned revenue. In the current year this accounting policy was reevaluated and since equivalent goods or services are not being provided back to the grantor by WQPT-TV, the grants were determined to be voluntary non-exchange transactions. Therefore, WQPT-TV made a change in accounting policy to account for grants as voluntary non-exchange transactions which resulted in \$131,328 of additional revenue recognized during the year ended June 30, 2016 and restricted-expendable net position as of June 30, 2016.

