

Financial Statements

2016-2017



WNMU-TV & WNMU-FM
Northern Michigan University

TABLE OF CONTENTS

WNMU-TV AND WNMU-FM

June 30, 2017

Board of Trustees, Executive Officers, and Station Management.....	1
Management's Discussion and Analysis	
WNMU-TV	2
WNMU-FM.....	7
Report from Independent Accountants	12
Statement of Net Position:	
WNMU-TV	15
WNMU-FM.....	16
Statement of Revenues, Expenses, and Changes in Net Position:	
WNMU-TV	17
WNMU-FM.....	18
Statement of Cash Flows:	
WNMU-TV	19
WNMU-FM.....	20
Notes to Financial Statements.....	21
Required Supplementary Information	41
Other Financial Information	
Statement of Functional Expenses:	
WNMU-TV	44
WNMU-FM.....	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	46

Board of Trustees

Terms ending December 31 in year shown

Scott L. Holman

Chair

Freeland

2018

Robert E. Mahaney

Vice Chair

Marquette

2022

Lisa I. Fittante

Kingsford

2024

Alexis M. Hart

Royal Oak

2024

James K. Haveman

Grand Haven

2020

Steven M. Mitchell

West Bloomfield

2020

Richard M. Popp

Northville Township

2018

Tami M. Seavoy

Marquette

2022

Fritz J Erickson

President of the University

Ex Officio

Executive Officers

Fritz J Erickson

President

Kerri D. Schuiling

Provost and

Provost/Vice President for Academic Affairs

R. Gavin Leach

Vice President for Finance & Administration and

Treasurer of the Board of Trustees

Steven P. VandenAvond

Vice President for Extended Learning and

Community Engagement

Station Management

Eric L. Smith

General Manager

Evelyn J. Massaro

WNMU-FM Station Manager

Bruce S. Turner

WNMU-TV Station Manager

Curt P. Noel

Business Manager

MANAGEMENT'S DISCUSSION AND ANALYSIS WNMU-TV

This section of WNMU-TV's (the "television station") financial report presents our discussion and analysis of the financial performance of the television station during the fiscal year ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Reporting Entity

Northern Michigan University (the "University") operates a public television station, WNMU-TV, and a public radio station, WNMU-FM. The assets, liabilities and fund balances for WNMU-TV and WNMU-FM include accounts extracted from the principal financial statements of the University and accounts of the Northern Michigan University Foundation (the "Foundation") specifically designated for WNMU-TV and WNMU-FM. The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. Included in the operation of the Foundation are fund raising activities specifically designated for WNMU-TV and WNMU-FM. All accounts and transactions between the University and the Foundation have been eliminated.

Using the Financial Report

This financial report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements presented focus on the financial condition of the television station, the results of operations, and cash flows of the television station as a whole.

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Under the reporting model, general appropriations from the University and gifts are reported as non-operating revenues and results in the television station showing an operating loss of \$1,040,131 for the year ended June 30, 2017, and \$1,133,519 for the year ended June 30, 2016. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, financing, and investing activities.

Financial Highlights

Net position for the year ended June 30, 2017 of \$2,034,300 increased \$88,200 from the prior year balance of \$1,946,100. Invested in capital assets of \$1,022,800 decreased by \$123,000 and included depreciation of \$159,700. Unrestricted and restricted net position of \$1,011,500 increased by \$211,100 from the prior year total of \$800,400.

For the year ending June 30, 2017, operating revenues of \$799,100 increased \$71,100 from the prior year total of \$728,000. The increase of \$71,100 included a \$76,500 increase in Community Service grants from the Corporation for Public Broadcasting Operating and a decrease in other operating revenues of \$5,400. Non-operating revenues of \$1,128,300 decreased by \$55,900 from the prior year of \$1,184,200. The decrease included a decrease of \$108,100 in contributions, and increases in general appropriations of \$27,500, facilities and support provided by Northern Michigan University of \$19,000, and all other non-operating revenues of \$5,700.

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-TV
(continued)

Financial Highlights (continued)

For the year ending June 30, 2016, operating revenues of \$728,000 decreased \$19,400 from the prior year total of \$747,400. The decrease of \$19,400 included a \$23,500 decrease Community Service grants from the Corporation for Public Broadcasting Operating and an increase in other operating revenues of \$4,100. Non-operating revenues of \$1,184,200 decreased by \$11,500 from the prior year of \$1,195,700 (excluding capital items of \$177,100). The decrease included \$100,700 in general appropriations and a \$19,400 decrease in facilities and support provided by Northern Michigan University, \$101,200 increase in contributions, and a \$7,400 increase in all other non-operating revenues.

For the year ending June 30, 2017 operating expenses of \$1,839,200 decreased by \$22,300 from the prior year total of \$1,861,500. The net decrease of \$22,300 resulted from decreases in depreciation expense of \$28,300, professional services of \$22,200, and rental and maintenance of equipment of \$12,700, and increases in salaries, wages, and benefits costs of \$24,000 and indirect costs of \$19,000, and a decrease all other expenses of \$2,100.

For the year ending June 30, 2016 operating expenses of \$1,861,500 decreased by \$348,500 from the prior year total of \$2,210,000. The net decrease of \$348,500 resulted from decreases in salaries, wages, and benefits costs of \$107,100, program acquisition of \$13,900, depreciation expense of \$20,800, indirect costs of \$19,400, rental and maintenance of equipment of \$213,300, and an increase of \$18,000 in professional services and \$8,000 in all other expenses.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

	June 30		
	2017	2016	2015
Assets			
Current assets	\$1,520,184	\$1,358,349	\$1,076,645
Noncurrent assets:			
Capital	1,022,839	1,145,789	1,414,027
Other	31,800	29,058	30,159
Total noncurrent assets	<u>1,054,639</u>	<u>1,174,847</u>	<u>1,444,186</u>
Total assets	<u>2,574,823</u>	<u>2,533,196</u>	<u>2,520,831</u>
Deferred outflows of resources			
Deferred pension amounts	34,167	48,550	50,802
Total deferred outflows of resources	<u>34,167</u>	<u>48,550</u>	<u>50,802</u>
Liabilities			
Current liabilities	29,409	41,268	39,176
Noncurrent liabilities	536,377	590,480	515,596
Total liabilities	<u>565,786</u>	<u>631,748</u>	<u>554,772</u>
Deferred inflows of resources			
Deferred pension amounts	8,913	3,851	49,524
Total deferred inflows of resources	<u>8,913</u>	<u>3,851</u>	<u>49,524</u>
Net position			
Invested in capital assets, net of related debt	1,022,839	1,145,789	1,414,027
Restricted-expendable	31,848	29,223	31,703
Unrestricted	979,604	771,135	521,607
Total net position	<u>\$2,034,291</u>	<u>\$1,946,147</u>	<u>\$1,967,337</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-TV
(continued)

Condensed Financial Information (continued)

Condensed Statement of Net Position (continued)

Cash and cash equivalents and investments of \$1,528,100 for fiscal year 2017 increased by \$174,400 from the prior year total of \$1,353,700. At June 30, 2015, cash and cash equivalents and investments were \$1,073,000. Investment in physical plant of \$1,022,800 for fiscal year 2017, \$1,145,800 for fiscal year 2016, and \$1,414,000 for fiscal year 2015 was the largest noncurrent asset of WNMU-TV. Accrued payroll and benefits of \$21,000 for fiscal year 2017, \$17,000 for fiscal year 2016, and \$36,800 for fiscal year 2015 was the largest current liability. Net pension liability of \$536,400 for fiscal year 2017, \$590,500 for fiscal year 2016, and \$515,600 for fiscal year 2015 was the only noncurrent liability and results from the station recording its proportional share of the MPERS new pension liability recorded by the University

Current assets at June 30, 2017, of \$1,520,200 were sufficient to cover current liabilities of \$29,400 as the current ratio is 51.7 dollars in current assets to every 1 dollar in current liabilities. Current assets of \$1,358,300 at June 30, 2016, and \$1,076,600 at June 30, 2015 were sufficient to cover current liabilities of \$41,300 and \$39,200 respectively. The current ratio was 32.9 at June 30, 2016 and 27.5 at June 30, 2015.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30		
	2017	2016	2015
Operating revenues			
Grants and contracts	\$778,534	\$702,074	\$725,627
Other operating revenue	20,523	25,953	21,811
Total operating revenues	799,057	728,027	747,438
Operating expenses	(1,839,188)	(1,861,546)	(2,210,008)
Operating loss	(1,040,131)	(1,133,519)	(1,462,570)
Non-operating revenues (expenses)			
Appropriations, facilities, and support from NMU	391,014	363,562	464,227
Contributions	343,275	451,406	350,256
Other non-operating income and expenses	393,986	297,361	204,120
Net non-operating revenues and expenses	1,128,275	1,112,329	1,018,603
Total increase (decrease) in net position	88,144	(21,190)	(443,967)
Net position			
Net position – beginning of year	1,946,147	1,967,337	2,916,467
Cumulative effect of change in accounting principle	-	-	(505,163)
Adjusted net position – beginning of year	1,946,147	1,967,337	2,411,304
Net position – end of year	\$2,034,291	\$1,946,147	\$1,967,337

Total operating revenues for fiscal year 2017 were \$799,100, \$728,000 for fiscal year 2016 and \$747,400 for 2015. The most significant source of operating revenue was Community Service grants from the Corporation for Public Broadcasting of \$778,500 for fiscal year 2017, \$702,100 for fiscal year 2016 and \$725,600 for fiscal year 2015.

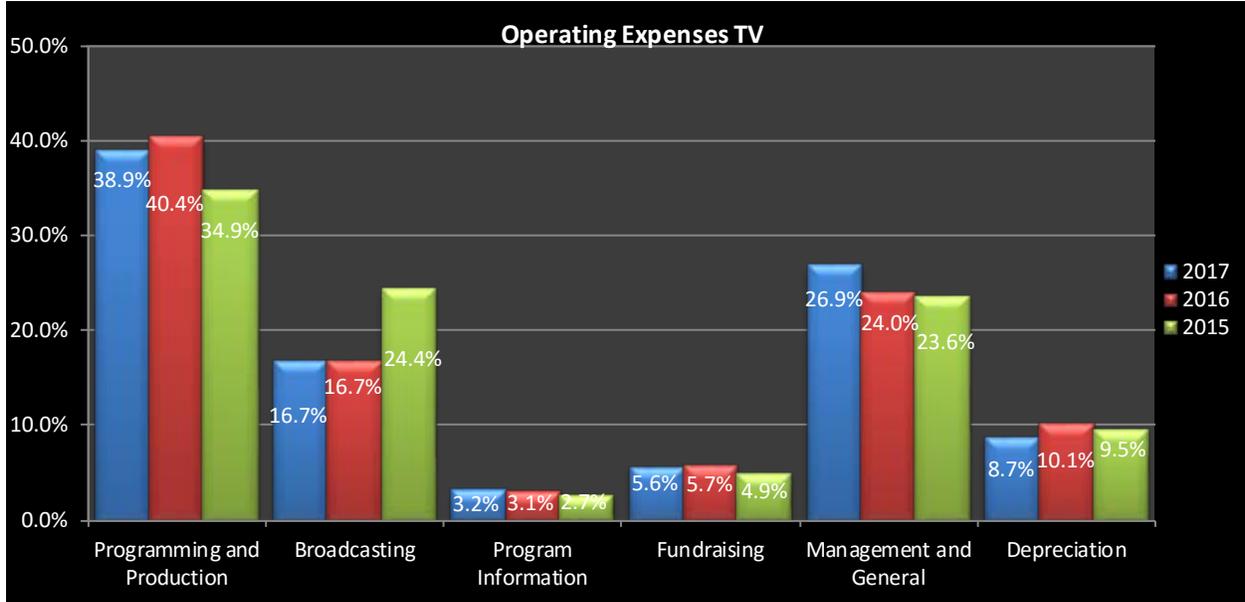
Operating expenses were \$1,839,200 for fiscal year 2017, \$1,861,500 for fiscal year 2016 and \$2,210,000 for fiscal year 2015. Salaries, wages, and benefits are the most significant expense at \$743,300 for fiscal year 2017, \$719,300 for fiscal year 2016, and \$826,400 for fiscal year 2015. Program acquisition costs were \$391,600 for fiscal year 2017, \$384,700 for fiscal year 2016, and \$398,600 for fiscal year 2015.

The cumulative effect of implementing GASB 68, a change in accounting principle, is recorded to the beginning balance of fiscal year 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-TV
(continued)

Condensed Financial Information (continued)

Condensed Statement of Net Position (continued)



Other

General appropriations from Northern Michigan University, the largest source of non-operating revenue totaled \$391,000 for fiscal year 2017, \$363,600 for fiscal year 2016, and \$464,200 for fiscal year 2015. Contributions from viewers and businesses totaled \$343,300 for fiscal year 2017, \$451,400 for fiscal year 2016, and \$350,300 for fiscal year 2015. The coverage area for WNMU-TV consists primarily of the Upper Peninsula of Michigan and northeastern Wisconsin.

Condensed Statement of Cash Flows

	June 30		
	2017	2016	2015
Cash (used) provided by:			
Operating activities	(\$536,012)	(\$547,645)	(\$870,022)
Non-capital financing activities	741,900	818,782	808,372
Capital activities	(36,779)	8,265	183,778
Investing activities	2,504	2,407	(15,778)
Net increase in cash and cash equivalents	171,613	281,809	106,350
Cash and cash equivalents – beginning of year	1,324,645	1,042,836	936,486
Cash and cash equivalents – end of year	<u>\$1,496,258</u>	<u>\$1,324,645</u>	<u>\$1,042,836</u>

Capital Plan

During the first quarter of 2017, WNMU-TV launched a new channel designed specifically to meet the needs of pre-school children within its viewing audience. Program content comes from PBS and WNMU-TV staff promotes this new channel to families interested in helping children become better prepared to begin their K-12 educational experience. With a favorable reaction to the launch of this new service, WNMU-TV intends to capitalize on a renewed interest from the viewing public in educating young students. Over the last two years, station management has worked to ensure that technical upgrades allow for a diverse set of programs designed to meet the needs of childhood education as well as the cultural and information needs of its viewers.

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-TV
(concluded)

Capital Plan (continued)

Over the next 30 months, technical improvements will become the primary focus of WNMU-TV's engineering department. WNMU-TV was notified in the spring of 2017 that, as a result of the FCC mandated spectrum auction, the station would be repacked from its current channel 13 assignment to channel 8. WNMU has been assigned to the final phase of the repack process and has already begun engineering studies to migrate from channel 13 to channel 8. With its tower study now complete, station management can shift attention to finalizing bid specifications that will provide the station with a new broadcast transmitter and antenna.

There are several primary benefits that WNMU-TV will realize as part of its channel change. First, the new WNMU-TV transmitter will be ATSC 3.0 compliant, positioning the station to begin digital IP broadcasting when the ATSC 3.0 standard is adopted by the FCC. In addition, WNMU-TV's migration to channel 8 will result in a power savings which will help control utility expenses. In addition, WNMU-TV, will be permitted to apply for FCC power maximization which will enhance the station's off-air signal coverage. The replacement of this capital equipment will not only provide better service to viewers, but give the station updated facilities that will be more reliable and extend the predictable replacement cycles that naturally occur with this type of transmission equipment.

Factors Impacting Future Periods

Annual giving to WNMU-TV continues to remain steady when compared to general giving from the previous year and an unexpected, large single gift is accounted for in the comparison. Contributing to stabilization in revenue was the addition of the station's new PBS kids channel and direct mail campaigns that inform regular viewers of the importance of supporting the station. Underwriting revenue continues to be an important component of the station's fundraising activities and WNMU-TV has taken steps to rework a vacant position that when filled, will focus on underwriting sales for the station. This position will be shared with WNMU-FM.

WNMU-TV is also continuing its work with academic units on the campus of Northern Michigan University to provide value-added instruction for enrolled students. Station activities that specifically enhance instruction are designed to offer students hands-on experience while generating Corporation for Public Broadcasting (CPB) qualified programs of interest to the public served by Public TV 13. These efforts provide graduating students with essential employment skills following graduation while serving the programming needs of the station's region. In addition, through its close alignment with NMU's core teaching and learning mission, WNMU-TV is better positioned to take advantage of facility investments and upgrades made by the University. Specifically, the station has added a sports broadcasting component to its local productions that allows students to learn the intricacies of this specialized production activity.

WNMU-TV closely monitors its federal grants and the status of legislative appropriations. The station also takes a conservative approach when factoring CPB grants into its budget and looks for ways to increase local fundraising and underwriting.

MANAGEMENT'S DISCUSSION AND ANALYSIS WNMU-FM

This section of WNMU-FM's (the "radio station") financial report presents our discussion and analysis of the financial performance of the radio station during the fiscal year ended June 30, 2017. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Reporting Entity

Northern Michigan University (the "University") operates a public television station, WNMU-TV, and a public radio station, WNMU-FM. The assets, liabilities and fund balances for WNMU-TV and WNMU-FM include accounts extracted from the principal financial statements of the University and accounts of the Northern Michigan University Foundation (the "Foundation") specifically designated for WNMU-TV and WNMU-FM. The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. Included in the operation of the Foundation are fund raising activities specifically designated for WNMU-TV and WNMU-FM. All accounts and transactions between the University and the Foundation have been eliminated.

Using the Financial Report

This financial report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements presented focus on the financial condition of the radio station, the results of operations, and cash flows of the radio station as a whole.

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Under the reporting model general appropriations from Northern Michigan University and gifts are reported as non-operating revenues and results in the radio station showing an operating loss of \$617,559 for the year ended June 30, 2017, and \$788,466 for the year ended June 30, 2016. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, financing, and investing activities.

Financial Highlights

Net position for the year ended June 30, 2017 of \$281,600 increased by \$101,500 over the prior year balance of \$180,100. Invested in capital assets decreased \$12,900 from the prior year total of \$129,000. Unrestricted and restricted net position of \$152,500 increased by \$114,300 from the prior year total of \$38,200.

For the year ending June 30, 2017, operating revenues of \$154,600 decreased \$11,900 from the prior year total of \$166,500. The Community service grants from the Corporation for Public Broadcasting of \$145,300 decreased by \$6,300 from the prior year total of \$151,600 and other operating revenues of \$9,400 decreased by \$5,500 from the prior year total of \$14,900. Non-operating revenues of \$719,000 decreased by \$22,000 from the prior year total of \$741,000 after excluding capital items of \$22,000. Contributions from listeners of \$386,200 decreased by \$3,300 over the prior year total of \$389,500. General appropriations from Northern Michigan University of \$198,200 decreased by \$18,500 from the prior year total of \$216,700, and other revenues decreased by \$200.

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-FM
(continued)

Financial Highlights (continued)

For the year ending June 30, 2016, operating revenues of \$166,500 increased \$3,000 from the prior year total of \$163,500. The Community service grants from the Corporation for Public Broadcasting of \$151,600 decreased by \$800 from the prior year total of \$152,400 and other operating revenues of \$14,900 increased by \$3,700 from the prior year total of \$11,200. Non-operating revenues of \$741,000 after excluding capital items of \$22,753, increased by \$43,200 from the prior year total of \$697,800. Contributions from listeners of \$389,500 increased by \$16,100 over the prior year total of \$373,400. General appropriations from Northern Michigan University of \$216,700 increased by \$24,800 from the prior year total of \$191,900, and other revenues increase by \$2,300.

For the year ending June 30, 2017, operating expenses of \$772,200 decreased \$182,800 from the prior year total of \$955,000. The net decrease of \$182,800 resulted from decreases in salaries, wages, and benefits of \$145,700, rental and maintenance of equipment of \$17,400, program acquisition costs of \$16,700 and decreases in all other expenses of \$3,000.

For the year ending June 30, 2016, operating expenses of \$955,000 increased \$28,500 from the prior year total of \$926,500. The net increase of \$28,500 resulted from increases in salaries, wages, and benefits of \$41,500, professional services of \$12,400, facilities and support of \$6,400, and decreases in printing and postage of \$10,000, travel of \$9,300, program acquisition costs of \$9,200 and decreases in all other expenses of \$3,300.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

	June 30		
	2017	2016	2015
Assets			
Current assets	\$404,599	\$370,497	\$315,019
Noncurrent assets:			
Capital	129,016	141,872	132,045
Other	26,588	25,210	26,402
Total noncurrent assets	155,604	167,082	158,447
Total assets	560,203	537,579	473,466
Deferred outflows of resources			
Deferred pension amounts	16,865	27,858	22,884
Total deferred outflows of resources	16,865	27,858	22,884
Liabilities			
Current liabilities	25,913	44,337	40,581
Noncurrent liabilities	265,227	338,819	228,286
Total liabilities	291,140	383,156	268,867
Deferred inflows of resources			
Deferred pension amounts	4,408	2,209	21,993
Total deferred inflows of resources	4,408	2,209	21,993
Net position			
Invested in capital assets, net of related debt	129,016	141,872	132,045
Restricted-expendable	26,629	25,353	27,753
Unrestricted	125,905	12,847	45,692
Total net position	\$281,550	\$180,072	\$205,490

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-FM
(continued)

Condensed Financial Information (continued)

Condensed Statement of Net Position (continued)

Cash and cash equivalents and investments of \$395,500 for fiscal year 2017 increased by \$32,400 from the prior year total of \$363,100. Cash and investments at June 30, 2017 was \$308,700. Investment in physical plant of \$129,000 for fiscal year 2017, \$141,900 for fiscal year 2016, and \$132,000 for fiscal year 2015 was the largest noncurrent asset of WNMU-FM. Accrued payroll and benefits of \$10,900 for fiscal year 2016, \$11,800 for fiscal year 2016, and \$21,100 for fiscal year 2015 is the largest current liability. Net pension liability of \$265,200 for fiscal year 2017, \$338,800 for fiscal year 2016 and \$228,300 for fiscal year 2015 is the only noncurrent liability and results from the station recording its proportional share of the MPERS new pension liability recorded by the University

Current assets at June 30, 2017, of \$404,600 were sufficient to cover current liabilities of \$25,900 as the current ratio is 15.6 dollars in current assets to every 1 dollar in current liabilities. Current assets of \$370,500 at June 30, 2016, and \$315,000 at June 30, 2015 were sufficient to cover current liabilities of \$44,300, and \$40,600 respectively. The current ratio was 8.4 at June 30, 2016 and 7.8 at June 30, 2015.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30		
	2017	2016	2015
Operating revenues			
Grants and contracts	\$145,252	\$151,614	\$152,380
Other operating revenue	9,372	14,883	11,150
Total operating revenues	<u>154,624</u>	<u>166,497</u>	<u>163,530</u>
Operating expenses	<u>772,182</u>	<u>954,963</u>	<u>926,544</u>
Operating loss	(617,558)	(788,466)	(763,014)
Non-operating revenues			
Appropriations, facilities, and support from NMU	198,203	216,667	191,862
Contributions	386,201	389,477	373,416
Other non-operating income and expenses	<u>134,632</u>	<u>156,904</u>	<u>132,545</u>
Net non-operating revenues and expenses	<u>719,036</u>	<u>763,048</u>	<u>697,823</u>
Total increase (decrease) in net position	<u>101,478</u>	<u>(25,418)</u>	<u>(65,191)</u>
Net position			
Net position—beginning of year	180,072	205,490	494,424
Cumulative effect of change in accounting Principle	-	-	(223,743)
Adjusted net position—beginning of year	<u>180,072</u>	<u>205,490</u>	<u>270,681</u>
Net position—end of year	<u>\$281,550</u>	<u>\$180,072</u>	<u>\$205,490</u>

Total operating revenues for fiscal year 2017 were \$154,600, \$166,500 for fiscal year 2016 and \$163,500 for 2015. The most significant source of operating revenue was Community Service grants from the Corporation for Public Broadcasting of \$145,300 for fiscal year 2017, \$151,600 for fiscal year 2016 and \$152,400 for fiscal year 2015.

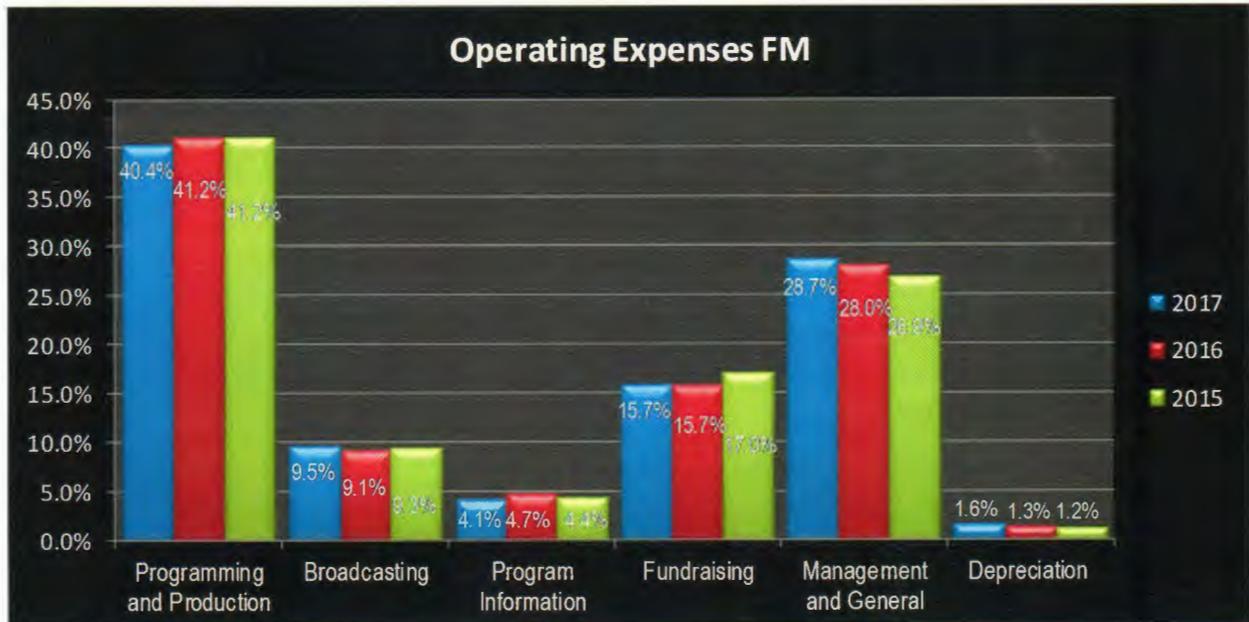
The cumulative effect of implementing GASB 68, a change in accounting principle, is recorded to the beginning balance of fiscal year 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-FM
(continued)

Condensed Financial Information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position (continued)

Operating expenses were \$772,200 for fiscal year 2017, \$955,000 for fiscal year 2016 and \$926,500 for fiscal year 2015. Salaries, wages, and benefits are the most significant expense at \$402,700 for fiscal year 2017, \$548,400 for fiscal year 2016, and \$506,900 for fiscal year 2015. Program acquisition costs were \$109,800 for fiscal year 2017, \$126,500 for fiscal year 2016, and \$135,700 for fiscal year 2015.



Other

Contributions from listeners and businesses are the largest source of non-operating revenues. Contributions totaled \$386,200 for fiscal year 2017, \$389,500 for fiscal year 2016, and \$373,400 for fiscal year 2015. The coverage area for WNMU-FM consists primarily of the Upper Peninsula of Michigan, a sparsely populated region.

Statement of Cash Flows

Condensed Statement of Cash Flows

	June 30		
	2017	2016	2015
Cash (used) provided by:			
Operating activities	(\$549,014)	(\$549,874)	(\$603,245)
Non-capital financing activities	578,221	604,520	559,569
Investing activities	1,853	943	213
Net increase (decrease) in cash and cash equivalents	31,060	55,589	(43,463)
Cash and cash equivalents – beginning of year	337,892	282,203	325,766
Cash and cash equivalents – end of year	<u>\$368,952</u>	<u>\$337,892</u>	<u>\$282,303</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
WNMU-FM
(concluded)

Capital Plan

WNMU-FM focused its efforts this year on maximizing use of the stations ENCO automation system. As staff transitioned away from old servers, new digital production equipment is more closely tied to capabilities in the new automation software which will improve efficiencies and program playback accuracy. Station management also performed upgrades to power backup systems and completed on-line testing of these critical reserves to ensure that in the event of power failures backup UPS and generators would power the station in an interrupted fashion. Now fully tested, these systems will preserve the stations primary EAS broadcast capabilities and provide critical weather and emergency information should local conditions demand that emergency broadcast be needed.

Public Radio 90 continues with efforts to build listener loyalty and increase contributions. Based on its success with Collette Tours, WNMU-FM offered station supporters the opportunity to tour Tuscany with a Public Radio staff member in 2017. The station continued this year to promote its local productions, including a news feature with the Upper Peninsula Children's Museum. These youth generated productions help students learn critical broadcast skills while providing listeners with interesting content about topics of interest to younger listeners. All of these value-added experiences are designed to attract new Public Radio listeners and strengthen area resident's interest in station programming. Station managers continue to believe that local content is important to the community served by WNMU-FM and recognize that maintaining a connection to listeners is critical in generating revenue needed to support the station and its programming.

Factors Impacting Future Periods

Annual giving showed a slight increase for the year as fundraising efforts continue. NMU's Foundation is now benefiting from new leadership and during the coming year, WNMU-FM will be exploring a renewed effort to build revenue based on annual giving. WNMU-FM expects its federal funding to remain level during the coming year due primarily to the 2-year forward funding provided by Congress and the CPB. Station programming costs are expected to increase slightly and station management will reduce expenses in other areas to match expected revenues.

WNMU-FM continues to promote student internships and directed studies that provide NMU students with practical learning experiences without direct cost to the station. In addition to these student experiences, station managers now reach out to individual members to explain ways in which gifts of time and finances can benefit the station.

Finally, in cooperation with WNMU-TV, radio station managers worked to revamp an existing, vacant position that will focus solely on underwriting sales. Management believes that corporate underwriting remains a strong source of untapped revenue that, if cultivated, can have a positive impact on station revenues. The new position is structured such that incentives for the incumbent are a key component to achieving higher than previously realized sales revenue.



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
WNMU TV and WNMU FM
1401 Presque Isle Avenue
Marquette, Michigan 49855

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the WNMU TV and WNMU FM, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the WNMU TV and WNMU 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the WNMU TV and WNMU FM, as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the WNMU TV and WNMU FM's basic financial statements as a whole. The Statements of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements.

The Statements of Functional Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statements of Functional Expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the WNMU TV and WNMU FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

Board of Trustees
WNMU TV and WNMU FM

that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WNMU TV and WNMU FM's internal control over financial reporting and compliance.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

November 27, 2017

WNMU-TV
Statements of Net Position

	June 30	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$1,496,258	\$1,324,645
Accounts receivable (less allowance 2017--\$0; 2016--\$0)	3,049	9,613
Other assets	20,877	24,091
Total current assets	1,520,184	1,358,349
Noncurrent assets		
Long-term investments	31,800	29,058
Capital assets, net	1,022,839	1,145,789
Total noncurrent assets	1,054,639	1,174,847
Total assets	2,574,823	2,533,196
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension amounts	34,167	48,550
Total deferred outflows of resources	34,167	48,550
 LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	3,131	18,080
Accrued payroll and benefits	21,013	16,998
Unearned revenue	5,265	6,190
Total current liabilities	29,409	41,268
Noncurrent liabilities		
Net pension liability	536,377	590,480
Total noncurrent liabilities	536,377	590,480
Total liabilities	565,786	631,748
 DEFERRED INFLOWS OF RESOURCES		
Deferred pension amounts	8,913	3,851
Total deferred inflows of resources	8,913	3,851
 NET POSITION		
Net investment in capital assets	1,022,839	1,145,789
Restricted	31,848	29,223
Unrestricted	979,604	771,135
Total net position	\$2,034,291	\$1,946,147

See notes to financial statements.

WNMU-FM
Statements of Net Position

	June 30	
	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$368,952	\$337,892
Accounts receivable (less allowance 2017--\$315; 2016--\$0)	13,208	1,777
Other assets	22,439	30,828
Total current assets	404,599	370,497
Noncurrent assets		
Long-term investments	26,588	25,210
Capital assets, net	129,016	141,872
Total noncurrent assets	155,604	167,082
Total assets	560,203	537,579
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension amounts	16,895	27,858
Total deferred outflows of resources	16,895	27,858
 LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	4,197	23,420
Accrued payroll and benefits	10,942	11,753
Unearned revenue	10,774	9,164
Total current liabilities	25,913	44,337
Noncurrent liabilities		
Net pension liability	265,227	338,819
Total noncurrent liabilities	265,227	338,819
Total liabilities	291,140	383,156
 DEFERRED INFLOWS OF RESOURCES		
Deferred pension amounts	4,408	2,209
Total deferred inflows of resources	4,408	2,209
 NET POSITION		
Net investment in capital assets	129,016	141,872
Restricted	26,629	25,353
Unrestricted	125,905	12,847
Total net position	\$281,550	\$180,072

See notes to financial statements.

WNMU-TV
Statements of Revenues, Expenses, and Changes in Net Position

	June 30	
	2017	2016
REVENUES		
Operating revenues		
Community service grants from Corporation for Public Broadcasting	\$778,534	\$702,074
Other operating revenues	20,523	25,953
Total operating revenues	799,057	728,027
EXPENSES		
Operating expenses		
Program services:		
Programming and production	715,986	752,233
Broadcasting	307,106	310,201
Program information	59,608	59,227
Support services:		
Fundraising and membership development	101,841	105,519
Management and general	494,918	446,307
Depreciation	159,729	188,059
Total operating expenses	1,839,188	1,861,546
Operating loss	(1,040,131)	(1,133,519)
NON-OPERATING REVENUES (EXPENSES)		
General appropriations from Northern Michigan University	391,014	363,562
Contributions	343,275	451,406
Other donated services and in-kind contributions	120,235	118,499
Investment income	5,246	1,306
Facilities and support provided by Northern Michigan University	268,505	249,470
Capital grants		
Capital contributions from Northern Michigan University		
Loss on asset disposal		(71,914)
Net non-operating revenues (expenses)	1,128,275	1,112,329
Increase (decrease) in net position	88,144	(21,190)
NET POSITION		
Net position--beginning of year	1,946,147	1,967,337
Net position--end of year	\$2,034,291	\$1,946,147

See notes to financial statements.

WNMU-FM
Statements of Revenues, Expenses, and Changes in Net Position

	June 30	
	2017	2016
REVENUES		
Operating revenues		
Community service grants from Corporation for Public Broadcasting	145,252	\$151,614
Other operating revenues	9,372	14,883
Total operating revenues	154,624	166,497
EXPENSES		
Operating expenses		
Program services:		
Programming and production	311,670	393,030
Broadcasting	73,426	86,819
Program information	31,337	45,156
Support services:		
Fundraising and membership development	120,945	150,340
Management and general	221,948	267,445
Depreciation	12,856	12,173
Total operating expenses	772,182	954,963
Operating loss	(617,558)	(788,466)
NONOPERATING REVENUES (EXPENSES)		
General appropriations from Northern Michigan University	198,203	216,667
Contributions	386,201	389,477
Other donated services and in-kind contributions	4,097	7,468
Investment income (loss)	3,231	(249)
Facilities and support provided by Northern Michigan University	127,304	127,685
Capital gifts		18,000
Capital contributions from Northern Michigan University		4,753
Loss on asset disposal		(753)
Net nonoperating revenues and (expenses)	719,036	763,048
Increase (decrease) in net position	101,478	(25,418)
NET POSITION		
Net position--beginning of year	180,072	205,490
Net position--end of year	\$281,550	\$180,072

See notes to financial statements.

WNMU-TV
Statements of Cash Flows

	June 30	
	2017	2016
Cash flows from operating activities		
Grants and contracts	\$778,534	\$702,074
Payments to suppliers	(559,157)	(568,216)
Payments to employees	(773,940)	(707,625)
Other receipts	18,551	26,122
Net cash used by operating activities	(536,012)	(547,645)
Cash flows from noncapital financing activities		
General appropriation from Northern Michigan University	391,014	363,562
Gifts and grants received for other than capital purpose	350,886	455,220
Net cash provided by noncapital financing activities	741,900	818,782
Cash flows from capital and related financing activities		
Insurance proceeds for damaged equipment		8,265
Purchase of capital assets	(36,779)	0
Net cash provided by capital and related financing activities	(36,779)	8,265
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,276	2,302
Investment income (loss)	5,246	1,306
Purchase of investments	(7,018)	(1,201)
Net cash provided by investing activities	2,504	2,407
Net increase in cash and cash equivalents	171,613	281,809
Cash and cash equivalents - beginning of the year	1,324,645	1,042,836
Cash and cash equivalents - end of year	\$1,496,258	\$1,324,645
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	(1,040,131)	(1,133,519)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	159,729	188,059
Facilities and support provided by Northern Michigan University	268,505	249,470
Other donated services	120,235	118,499
Change in assets and liabilities:		
Vendor receivable	(1,972)	169
Other assets	3,214	441
Accounts payable	(14,949)	17,585
Compensated absences/accrued payroll/net pension	(30,643)	11,651
Net cash used by operating activities	(\$536,012)	(\$547,645)

See notes to financial statements.

WNMU-FM
Statements of Cash Flows

	June 30	
	2017	2016
Cash flows from operating activities		
Grants and contracts	\$145,252	\$151,614
Payments to suppliers	(236,032)	(244,346)
Payments to employees	(463,968)	(472,025)
Other receipts	5,734	14,883
Net cash used by operating activities	(549,014)	(549,874)
Cash flows from noncapital financing activities		
General appropriation from Northern Michigan University	198,203	216,667
Gifts and grants received for other than capital purpose	380,018	387,853
Net cash provided by noncapital financing activities	578,221	604,520
Cash Flows from Capital and Related Financing Activities		
Capital gifts		18,000
Capital grants		4,753
Purchase of capital assets		(22,753)
Net cash provided (used) by capital and related financing activities	-	-
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,490	2,234
Investment income (loss)	3,231	(249)
Purchase of investments	(5,868)	(1,042)
Net cash provided by investing activities	1,853	943
Net increase in cash and cash equivalents	31,060	55,589
Cash and cash equivalents - beginning of the year	337,892	282,303
Cash and cash equivalents - end of year	\$368,952	\$337,892
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	(617,559)	(788,466)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	12,856	12,173
Facilities and support provided by Northern Michigan University	127,304	127,685
Other donated services	4,097	7,468
Change in assets and liabilities:		
Other assets	8,389	(123)
Vendor receivable	(3,638)	
Accounts payable	(19,223)	14,997
Compensated absences/accrued payroll/net pension	(61,241)	76,392
Net cash used by operating activities	(\$549,015)	(\$549,874)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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). WNMU-TV and WNMU-FM as part of the University will follow the “business-type” activities requirements of GASB Statement No. 35 rather than issuing “fund-type” financial statements and has the following components of the financial statements:

- Management’s discussion and analysis
- Basic financial statements including statements of net assets, statements of revenues, expenses and changes in net assets, and statements of cash flows for the stations as a whole
- Notes to the financial statements

CHANGES IN ACCOUNTING PRINCIPALS

GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This standard is effective for the University’s fiscal year 2018 and establishes new requirements for universities to report a “net OPEB (other postemployment benefits) liability” for the unfunded portion of postemployment benefits provided to University employees. WNMU-TV and WNMU-FM, as part of the University, participates in the MPSERS. Universities that maintain their own other postemployment benefit plans (either single employer or agent multiple-employer) report a liability for the difference between the total post employment liability calculated in accordance with GASB 75 and the amount held in the OPEB trust fund. Universities that participate in a cost sharing plan report a liability for their “proportionate share” of the “net OPEB liability” of the entire system.

Historically, universities have only been required to report a net OPEB obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, universities are required to report a net OPEB liability based on the current funded status of their OPEB plans. Changes in this liability from year to year will largely be reflected on the statement of revenues, expenses and changes in net position, though certain amounts will be deferred and amortized over varying periods.

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net OPEB liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net OPEB liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net OPEB liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the university’s proportionate share of the plan as determined by the plan actuaries.

Northern Michigan University has not received any communication on its estimated proportional share of net OPEB liability and OPEB expense related to GASB 75 reporting requirements. The University participates in a cost sharing multiple employer plan and will report in the upcoming fiscal year a liability for its “proportionate share” of the “net OPEB liability”, deferred inflows and deferred outflows of the Michigan Public Schools Employees Retirement System (MPSERS). GASB 75 will require the net OPEB liability and related deferred inflows and outflows to be recorded for the year ending June 30, 2018, by restating beginning net position as of July 1, 2017.

**NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)**

**NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

REPORTING ENTITY

Northern Michigan University operates a public television station, WNMU-TV, and a public radio station, WNMU-FM. The assets, liabilities and fund balances for WNMU-TV and WNMU-FM include accounts extracted from the principal financial statements of the University and accounts of the Foundation specifically designated for WNMU-TV and WNMU-FM. The Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of the University. Included in the operation of the Foundation are fund raising activities specifically designated for WNMU-TV and WNMU-FM. All accounts and transactions between the University and the Foundation have been eliminated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, WNMU-TV and WNMU-FM are required to follow all applicable GASB pronouncements.

Revenue is recognized when earned and expenses are recognized when the service is provided. Restricted grant revenue is recognized only to the extent expended. Operating revenues of WNMU-TV and WNMU-FM consist of community service grants from the Corporation of Public Broadcasting, other grants and sales of services. Non-operating revenues consist of general appropriations from the University, contributions, investing activities, and capital and financing activities. Restricted resources are spent and tracked at WNMU-TV and WNMU-FM level within the guidelines of donor restrictions.

Cash Equivalents

Cash equivalents are all investments with original maturity dates of 90 days or less.

Investments

All investments are stated at fair value. Investments in publicly traded securities are stated at fair value as established by major securities markets. Non-publicly traded investments are valued based on estimates considering market prices of similar investments. Investment income includes realized and unrealized gains and losses on investments, interest, and dividends.

Institutional Physical Properties

Institutional physical properties are stated at cost when purchased and at appraised value for other acquisitions.

Depreciation is provided for physical properties on a straight line basis over the estimated useful life of the property, as follows:

<u>Classification</u>	<u>Life</u>
Building, transmitter, antenna and tower	12 to 50 years
Equipment	5 to 15 years

Depreciation expense is \$159,729 for 2017 and \$188,059 for 2016 for WNMU-TV and \$12,856 for 2017 and \$12,173 for 2016 for WNMU-FM. WNMU-TV and WNMU-FM capitalize assets with a cost of \$5,000 or greater.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Television and Radio station report deferred outflows of resources for certain pension-related amounts, such as change in expected and actual experience, change in assumptions and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note G.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Television and Radio stations report deferred inflows of resources for changes between expected and actual investment earnings provided in its pension plans and state appropriations for pensions received subsequent to the measurement dates. More detailed information can be found in Note G.

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) operating grants received from the Corporation of Public Broadcasting; (2) tower lease rentals and fees for broadcasting services; and (3) local grants for operations.

Non-Operating Revenues

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as (1) general appropriations from Northern Michigan University; (2) gifts, contributions and donated services; (3) investment income earned on endowed funds; and (4) facilities and general support provided by the University. Facilities and general support is allocated based on a ratio of station expenses and square footage to total university expenses and square footage.

Operating Expenses

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries and benefits; (2) program acquisitions; (3) utilities, supplies, and other services; and (4) depreciation expense.

Non-Operating Expenses

Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as capital gifts and contributions and gains or losses on asset disposal.

Subsequent Events

In preparing these financial statements, the Fund has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2017, the most recent statement of financial position presented herein, through November 27, 2017, the date these financial statements were available to be issued. No such significant events or transactions were identified.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance for bad debts, the useful lives of depreciable capital assets, the assumptions used to estimate accrued employee compensated absences, and the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension plan.

NOTE B – CASH AND INVESTMENTS

The Television and Radio stations have adopted GASB Statement No. 40, *Deposits and Investment Risk Disclosures*.

Cash and investments for WNMU-TV and WNMU-FM are included in the Statement of Net Position under the following classification:

<u>WNMU-TV</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$1,496,258	\$1,324,645
Long-term investments	31,800	29,058
Total	<u>\$1,528,058</u>	<u>\$1,353,703</u>
<u>WNMU-FM</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$368,952	\$337,892
Long-term investments	26,588	25,210
Total	<u>\$395,540</u>	<u>\$363,102</u>

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the station’s deposits may not be returned to it. The University invests and manages cash collectively by pooling cash reserves, including cash of WNMU-TV and WNMU-FM. The University does not have a deposit policy for custodial credit risk. It is not practicable to determine the amount reflected in the amounts of the banks (without recognition of checks written but not cleared, or of deposits in transit) that is applicable to the station’s portion of the pooled deposits. At year end, the carrying amount of deposits, excluding those classified as investments, was \$1,496,210 for WNMU-TV and \$368,912 for WNMU-FM. Deposits for WNMU-TV and WNMU-FM were uninsured and uncollateralized. The University is precluded by state law from collateralizing its deposits.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. The stations’ deposits are managed by the University and the NMU Foundation. The University does not have a deposit policy for foreign currency risk. The University did not have any deposits denominated in foreign currencies at June 30, 2017 and 2016. The Foundation’s investment policy allows up to ten percent of its portfolio to be invested in foreign denominated securities. All other investments must be denominated in U.S. dollars.

Investments

Monies held on deposit with the Foundation are invested in accordance with the Foundation’s Investment Policy.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE B – CASH AND INVESTMENTS (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Investments for WNMU-TV and WNMU-FM are held at the NUM Foundation. The Foundation's investment policy limits investments to not more than five percent of the outstanding securities of one issuer and not more than five percent of their portfolios' assets in the outstanding securities of one issuer.

Credit Risk – Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. Investments for WNMU-TV and WNMU-FM are held at the NMU Foundation. The Foundation's investment policy does not limit exposure to credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit exposure to fair value loss by limiting investments by maturity.

At June 30, 2017, WNMU-TV had the following investments and maturities:

	Fair Market Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$48	\$48			
Growth funds	7,701			\$7,701	
Fixed Income funds	5,550		\$5,550		
Indexed funds	11,249				\$11,249
Balanced funds	7,073				7,073
Private Equity funds	227			227	
Total	31,848	\$48	\$5,550	\$7,928	\$18,322
Less investments reported as "cash equivalents" on statements of net position	(48)				
Total investments	\$31,800				

At June 30, 2016, WNMU-TV had the following investments and maturities:

	Fair Market Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	\$165	\$165			
Growth funds	5,951				\$5,951
Fixed Income funds	3,670		\$1,374	\$1,308	988
Indexed funds	11,952				11,952
Balanced funds	7,250	2,207	579	487	3,977
Private Equity funds	235				235
Total	29,223	\$2,372	\$1,953	\$1,795	\$23,103
Less investments reported as "cash equivalents" on statements of net position	(165)				
Total investments	\$29,058				

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE B – CASH AND INVESTMENTS (continued)

Interest Rate Risk (continued)

At June 30, 2017, WNMU-FM had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$40	\$40			
Growth funds	6,439			\$6,439	
Fixed Income funds	4,641		\$4,641		
Indexed funds	9,405				\$9,405
Balanced funds	5,914				5,914
Private Equity funds	189			189	
Total	26,628	\$40	\$4,641	\$6,628	\$15,319
Less investments reported as "cash equivalents" on statements of net position	(40)				
Total investments	\$26,588				

At June 30, 2016, WNMU-FM had the following investments and maturities:

	Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Money market mutual funds	\$143	\$143			
Growth funds	5,163				\$5,163
Fixed Income funds	3,184		\$1,192	\$1,135	857
Indexed funds	10,369				10,369
Balanced funds	6,290	1,915	503	422	3,450
Private Equity funds	204				204
Total	25,353	\$2,058	\$1,695	\$1,557	\$20,043
Less investments reported as "cash equivalents" on statements of net position	(143)				
Total investments	\$25,210				

Fair Value Measurements

Statement No. 72 of the Governmental Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE B – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the stations' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

The following tables set forth by level, within the fair value hierarchy, the WNMU-TV investments measured at fair value on a recurring basis as of June 30:

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total 2017
Money market mutual funds	\$48			\$48
Growth funds	7,701			7,701
Fixed Income funds	5,550			5,550
Indexed funds	11,249			11,249
Balanced funds	7,073			7,073
Private Equity funds			\$227	227
Leveled investment total	\$31,621		\$227	\$31,848

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total 2016
Money market mutual funds	\$165			\$165
Growth funds	5,951			5,951
Fixed Income funds	3,670			3,670
Indexed funds	11,952			11,952
Balanced funds	7,250			7,250
Private Equity funds			\$235	235
Leveled investment total	\$28,988		\$235	\$29,223

The following tables set forth by level, within the fair value hierarchy, the WNMU-FM investments measured at fair value on a recurring basis as of June 30:

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total 2017
Money market mutual funds	\$40			\$40
Growth funds	6,439			6,439
Fixed Income funds	4,641			4,641
Indexed funds	9,405			9,405
Balanced funds	5,914			5,914
Private Equity funds			\$189	189
Leveled investment total	\$26,439		\$189	\$26,628

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE B – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

	Quoted Prices Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total 2016
Money market mutual funds	\$143			\$143
Growth funds	5,163			5,163
Fixed Income funds	3,184			3,184
Indexed funds	10,369			10,369
Balanced funds	6,290			6,290
Private Equity funds			\$204	204
Levelled investment total	<u>\$25,149</u>		<u>\$204</u>	<u>\$25,353</u>

NOTE C – RECEIVABLES

Receivables at June 30 were as follows:

	WNMU-TV		WNMU-FM	
	2017	2016	2017	2016
Vendor	\$1,972		\$3,638	
Business contributors	1,077	\$9,613	9,570	\$1,777
Total	<u>\$3,049</u>	<u>\$9,613</u>	<u>\$13,208</u>	<u>\$1,777</u>

NOTE D – FIXED ASSETS

The following table summarizes WNMU-TV, by major class of asset, the recorded costs of fixed assets as of June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Transmitter building	\$ 147,806			\$147,806
Transmitter, antenna and tower	1,580,272			1,580,272
Equipment	965,178	\$36,779		1,001,957
Construction in progress				
Total at historical cost	<u>2,693,256</u>	<u>36,779</u>		<u>\$2,730,035</u>
Less accumulated depreciation for:				
Transmitter building	120,242	3,557		123,799
Transmitter, antenna and tower	750,690	72,745		823,435
Equipment	676,535	83,427		759,962
Total accumulated depreciation	<u>1,547,467</u>	<u>159,729</u>		<u>1,707,196</u>
Capital assets, net	<u>\$ 1,145,789</u>	<u>(\$122,950)</u>		<u>1,022,839</u>

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE D – FIXED ASSETS (continued)

The following table summarizes WNMU-FM, by major class of asset, the recorded costs of fixed assets as of June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Transmitter, antenna and tower	\$176,749			\$176,749
Equipment	144,859			144,859
Total at historical cost	321,608			321,608
Less accumulated depreciation for:				
Transmitter, antenna and tower	69,496	\$9,301		78,797
Equipment	110,240	3,555		113,795
Total accumulated depreciation	179,736	12,856		192,592
Capital assets, net	<u>\$ 141,872</u>	<u>\$12,856</u>		<u>\$129,016</u>

The following table summarizes WNMU-TV, by major class of asset, the recorded costs of fixed assets as of June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Transmitter building	\$147,806			\$ 147,806
Transmitter, antenna and tower	1,580,272			1,580,272
Equipment	1,378,114		\$ 412,936	965,178
Total at historical cost	3,106,192		412,936	2,693,256
Less accumulated depreciation for:				
Transmitter building	116,686	\$3,556		120,242
Transmitter, antenna and tower	677,945	72,745		750,690
Equipment	897,534	111,758	332,757	676,535
Total accumulated depreciation	1,692,165	188,059	332,757	1,547,467
Capital assets, net	<u>\$ 1,414,027</u>	<u>(\$188,059)</u>	<u>\$ 80,179</u>	<u>\$ 1,145,789</u>

The following table summarizes WNMU-FM, by major class of asset, the recorded costs of fixed assets as of June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Transmitter, antenna and tower	\$ 176,749			\$176,749
Equipment	161,279	\$22,753	\$39,173	144,859
Total at historical cost	338,028	22,753	39,173	321,608
Less accumulated depreciation for:				
Transmitter, antenna and tower	60,195	\$9,301		69,496
Equipment	145,788	2,872	38,420	110,240
Total accumulated depreciation	205,983	12,173	38,420	179,736
Capital assets, net	<u>\$ 132,045</u>	<u>(\$10,580)</u>	<u>\$753</u>	<u>\$ 141,872</u>

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE D – FIXED ASSETS (continued)

Fixed assets are capitalized at cost including ancillary charges necessary to place the asset into use. Interest expense, on debt incurred for construction, is included in the asset cost for the period of construction.

Northern Michigan University received grants from the U.S. Department of Commerce under the Public Telecommunication Facilities Program to assist in the purchase of equipment for WNMU-TV and WNMU-FM. Total acquisition costs under this program consisted of approximately \$778,800 through fiscal year 2009. In accordance with established regulations, the federal government will maintain a priority lien on this equipment or like equipment that performs the same functionality for a period of ten years. For the year ended June 30, 2015, WNMU-TV had \$492,000 in equipment destroyed by water and replaced the destroyed equipment with equipment of similar functionality.

NOTE E – PAYABLES

Payables at June 30 were as follows:

	WNMU-TV		WNMU-FM	
	2017	2016	2017	2016
Accrued payroll and benefits	\$21,013	\$16,998	\$10,942	\$11,753
Business contributors	3,131	18,080	4,197	23,420
Total	\$24,144	\$35,078	\$15,139	\$35,173

NOTE F – OPERATING EXPENSES

Operating expenses by natural classification at June 30 were as follows:

	WNMU-TV		WNMU-FM	
	2017	2016	2017	2016
Salaries, wages and benefits	\$743,297	\$719,276	\$402,727	\$548,417
Supplies and support services	544,532	569,502	246,843	267,909
Program acquisition	391,630	384,709	109,756	126,464
Depreciation expense	159,729	188,059	12,856	12,173
Total	\$1,839,188	\$1,861,546	\$772,182	\$954,963

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G – RETIREMENT PLANS

WNMU-TV and WNMU-FM, as part of the University, participates in two retirement plans: Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF) and the Michigan Public School Employees' Retirement System (MPSERS). New University employees hired after January 1, 1996 can only participate in TIAA-CREF based on changes in state legislation during 1995.

The University does not provide health care benefits to retirees. Under the TIAA-CREF plan group medical, prescription, drug, dental and vision are provided to retirees as part of the University's participation in MPSERS.

Teachers Insurance and Annuities Association - College Retirement Equities Fund (TIAA-CREF)

The TIAA-CREF plan is a defined contribution retirement plan. Substantially all full-time employees of the University are eligible to participate in the TIAA-CREF plan. Employee benefits vest immediately. The University contributes a specified percentage of employee wages, as defined by the appropriate labor contract, and has no liability beyond its own contribution.

WNMU-TV and WNMU-FM's contributions to the TIAA-CREF plan are as follows for the year ended June 30:

	2017	2016	2015
WNMU-TV Contributions	\$40,538	\$37,072	\$36,608
WNMU-TV Covered Payroll	\$324,306	\$331,135	\$306,303
WNMU-FM Contributions	\$27,039	\$27,329	\$27,129
WNMU-FM Covered Payroll	\$214,523	\$211,798	\$210,031

Michigan Public School Employees' Retirement System (MPSERS)

Plan Description

The University contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multi-employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the system. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. The System's financial statements are available at www.michigan.gov/mpsers-cafr. The system is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management and Budget.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The *Member Investment Plan* (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7%* plan.

**NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)**

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPSERS) (continued)

Plan Description (continued)

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided

MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. The System also provides disability and survivor benefits to DB plan members. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

<u>Plan</u>	<u>Eligibility Based on Years of Service</u>	<u>Vesting</u>
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the system are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPERS) (continued)

Employer contributions to the System are determined on an actual basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2016.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 – 4.0%	22.60%
Member Investment Plan	3.0 – 7.0	22.60
Pension Plan	3.0 – 6.4	N/A
Defined Contribution	0.0	17.73

The University's contributions to MPERS under all pension plans as described above for the years ended June 30, 2017, 2016, and 2015 were \$4,085,736, \$3,402,937, and \$3,315,213 respectively.

Pension Liability

The University reported a liability of \$52,696,531 and \$54,405,703 as of June 30, 2017 and 2016 respectively, for its proportionate share of the MPERS net pension liability. The net pension liability was measured as of September 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015 and 2014. The University's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the University's proportion (as calculated by MPERS) was 9.40606%, which was a decrease of .51113% from its proportion measured as of September 30, 2015 of 9.91719%. As part of the University, the WNMU-TV reported a net pension liability of \$536,377 for 2017 and \$590,490 for 2016 and WNMU-FM reported a net pension liability \$265,227 for 2017 and \$338,819 for 2016. At September 30, 2016, the stations' proportion of the net pension liability based on required contributions was 1.01786% and 0.50331% for WNMU-TV and WNMU-FM respectively. At September 30, 2015, the stations' proportion of the net pension liability based on required contributions was 1.08533% and .62276% for WNMU-TV and WNMU-FM respectively.

Actuarial Assumptions

The total pension liability in the September 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	September 30, 2015 and 2014
Actuarial Cost Method	Entry Age, Normal
Wage Inflation Rate	3.5%
Investment Rate of Return	
MIP and Basic Plans (Non-Hybrid)	8.0%
Pension Plus Plan (Hybrid)	7.0% for 2015 (7.5% for 2014)
Projected Salary Increases	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-living Pension adjustments	3% annual Non-Compounded for MIP Members

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPERS) (continued)

Actuarial Assumptions (continued)

The mortality table used in these valuations was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection Scale BB. This assumption was first used for the September 30, 2014 valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, and rolled forward using generally accepted actuarial procedures, including the experience study. Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [1.2456 for university employers]. Recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2016 and 2015 MPERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Long-term Expected Return on Plan Assets

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 and 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*	Expected Money-weighted Rate of Return
Domestic equity pools	28.0%	5.9%	1.64 %
Alternative investment pools	18.0	9.2	1.66
International equity pools	16.0	7.2	1.15
Fixed income pools	10.5	0.9	0.09
Real estate and infrastructure pools	10.0	4.3	0.43
Absolute return pools	15.5	6.0	0.93
Short-term investment pools	<u>2.0</u>	(0.0)	<u>(0.00)</u>
Total	<u>100.0%</u>		5.90%
Inflation			<u>2.10</u>
Investment rate of return			<u>8.00%</u>

*Long-term rate of return does not include 2.1% inflation.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPERS) (continued)

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus Plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the University as of June 30, 2017 and 2016, calculated using the discount rate of 8.0% (7% for the Hybrid Plan), as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (Non-Hybrid/Hybrid)* (7.0%)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* (8.0%)	1% Increase (Non-Hybrid/Hybrid)* (9.0%)
University's proportionate share of net pension liability (2017)	\$61,576,558	\$52,696,531	\$45,021,568
University's proportionate share of net pension liability (2016)	\$63,836,220	\$54,405,703	\$46,265,735

*University employers provide non-hybrid plans only. For non-university employers, the Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Change in Pension Plan Actuarial Assumptions

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

**NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)**

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPSERS) (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. (<http://www.michigan.gov/mpsers-CAFR>)

Payable to the Pension Plan

At June 30, 2017 and 2016, WNMU-TV reported a payable of \$2,620 and \$10,934, and WNMU-FM reported a payable of \$1,296 and \$6,274 respectively for the outstanding amount of pension contributions to the Plan.

For the year ended June 30, 2017 and 2016, WNMU-TV recognized a pension expense of \$34,367 and \$36,933, WNMU-FM recognized a pension expense of \$16,994 and \$21,192 respectively.

Deferred Inflows of Resources, Deferred Outflows of Resources and Pension Expense

At June 30, 2017, the stations reported deferred outflows of resources from the following sources:

WNMU-TV	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$859	
Net difference between projected and actual earnings on pension plan investments	5,200	
Changes in proportion and differences between University contributions and proportionate share of contributions		\$5,538
	<u>6,059</u>	<u>5,538</u>
State appropriations for MPSERS		3,375
Station contributions subsequent to the measurement date	<u>28,108</u>	
Total	<u>\$34,167</u>	<u>\$8,913</u>
WNMU-FM	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$425	
Net difference between projected and actual earnings on pension plan investments	2,571	
Changes in proportion and differences between University contributions and proportionate share of contributions		\$2,739
	<u>2,996</u>	<u>2,739</u>
State appropriations for MPSERS		1,669
Station contributions subsequent to the measurement date	<u>13,899</u>	
Total	<u>\$16,895</u>	<u>\$4,408</u>

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPERS) (continued)

Payable to the Pension Plan (continued)

At June 30, 2016, the stations reported deferred outflows of resources from the following sources:

WNMU-TV	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on pension plan investments	\$8,110	
Net difference between projected and actual earnings on pension plan investments	1,710	
Changes in proportion and differences between University contributions and proportionate share of contributions	1,586	
	<u>11,406</u>	<u>\$3,851</u>
Station contributions subsequent to the measurement date	37,144	
Total	<u>\$48,550</u>	<u>\$3,851</u>
WNMU-FM	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on Pension plan investments	\$4,654	
Net difference between projected and actual earnings on pension plan investments	981	
Changes in proportion and differences between University contributions and proportionate share of contributions	910	
	<u>6,545</u>	<u>2,209</u>
Station contributions subsequent to the measurement date	21,313	
Total	<u>\$27,858</u>	<u>\$2,209</u>

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE G—RETIREMENT PLANS (continued)

Michigan Public School Employees' Retirement System (MPSERS) (continued)

Pension Liability (continued)

The amount of deferred outflows of resources related to the stations' contributions, subsequent to the measurement date, will be recognized as a reduction in net pension liability for the year ending June 30, 2018. Deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to UAAL stabilization payments of \$331,619 will be recognized as State appropriations revenue for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>WNMU-TV</u>	<u>WNMU-FM</u>
2018	(\$5,982)	(\$2,958)
2019	(1,302)	(644)
2020	7,330	3,624
2021	475	235
Total	<u>\$521</u>	<u>\$257</u>

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

WNMU-TV's contributions to MPSERS for other postemployment benefits for the years ended June 30, 2017, 2016, and 2015 were \$16,713, \$18,376 and \$31,475 respectively. WNMU-FM's contribution to MPSERS for other postemployment benefits for the years ended June 30, 2017, 2016, and 2015 were \$8,109, \$11,157, and \$15,867 respectively.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE H – CHANGES IN UNEARNED REVENUE

	WNMU-TV		WNMU-FM	
	2017	2016	2017	2016
Balance at beginning of year	\$6,190	\$1,871	\$9,164	\$11,022
Additions:				
Contributions and investment income	87,605	97,254	38,208	37,415
Deductions:				
Contributions recognized as revenue	(88,530)	(92,935)	(36,598)	(39,273)
Balance at June 30	<u>\$5,265</u>	<u>\$6,190</u>	<u>\$10,774</u>	<u>\$9,164</u>

NOTE I – LIABILITY INSURANCE

WNMU-TV and WNMU-FM, as part of the University, participates in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.), which provides indemnity to members against comprehensive general liability, property and casualty, and errors and omissions losses commonly covered by insurance and provides risk management and loss control services and programs. M.U.S.I.C. provides coverage for claims in excess of agreed upon deductibles.

Loss coverages are structured on a three layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer and commercial carriers covering the third layer. Comprehensive general liability coverage is provided on an occurrence basis; errors and omissions coverage is provided on a claims made basis.

M.U.S.I.C. was established on May 28, 1987, pursuant to the State of Michigan Constitution of 1963, Article 8, Sections 5 and 6. Subsequently on May 28, 1987, M.U.S.I.C. was incorporated as a Michigan nonprofit corporation pursuant to the provisions of Act 162, Public Acts of 1982. A consortium of 11 of 13 State Universities, M.U.S.I.C. provides indemnity for losses commonly covered by insurance in the areas of General Liability, Errors and Omissions, Property, Automobile Liability and Automobile Physical Damage. Transactions with the participating universities relate primarily to assessment of fees and payments of claims and related expenses. Members' equity totaled \$12,985,249 at June 30, 2016, based on the last published financial statements.

Additional broadcasting liability insurance of \$1,000,000 is purchased under a separate policy.

Self-insurance

The University is self-insured for health, dental, vision, workers' compensation, and short-term disability for all employees. Liabilities for estimates of losses retained by the University under self-insurance programs have been established.

Stop-loss coverage has been purchased by the University for the self-funded hospital/medical benefits, including prescription drugs, and workers' compensation claims. The stop-loss insurance limits the claims for hospital/medical benefits to \$11.4 million and \$13.1 million in aggregate for fiscal years ended June 30, 2017 and 2016, respectively. The workers' compensation stop-loss insurance limits the University's liability for claims paid per individual to \$400,000 for fiscal years ended June 30, 2017 and 2016, the aggregate excess insured maximum liability is \$5,000,000.

NOTES TO FINANCIAL STATEMENTS
WNMU-TV AND WNMU-FM
(continued)

NOTE I – LIABILITY INSURANCE (continued)

Self-insurance (continued)

Changes in the estimated liability for the fiscal years ended June 30, for health benefits, including dental and vision, were as follows:

Claims activity for the year ended June 30, 2017:

	Liability – Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability – End of Year
Medical claims	\$2,364,871	\$9,656,103	(\$9,427,800)	\$2,593,174
Workers' compensation	35,652	482,446	(413,544)	104,554
Total	\$2,400,523	\$10,138,549	(\$9,841,344)	\$2,697,728

Claims activity for the year ended June 30, 2016:

	Liability – Beginning of Year	Claims incurred, including changes in estimates	Claims Payments	Liability – End of Year
Medical claims	\$2,932,271	\$7,968,520	(\$8,535,920)	\$2,364,871
Workers' compensation	64,710	25,026	(54,084)	35,652
Total	\$2,996,981	\$7,993,546	(\$8,590,004)	\$2,400,523

NOTE J—CONTINGENCIES

In the normal course of its activities, the University is a party in various legal actions. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

NOTE K—CHANGE IN TV SIGNAL

WNMU-TV was notified in the spring of 2017 that, as a result of the FCC mandated spectrum auction, the station would be repacked from its current channel 13 assignment to channel 8. WNMU-TV has been assigned to the final phase of the repack process and has already begun engineering studies to migrate from channel 13 to channel 8. With its tower study now complete, station management can shift attention to finalizing bid specifications that will provide the station with a new broadcast transmitter and antenna. The station expected to be reimbursed from the Advance Wireless Spectrum (AWS) auction fund for its replacement equipment and the station has submitted the required filing of cost estimates.

REQUIRED SUPPLEMENTARY INFORMATION
WNMU-TV and WNMU-FM
June 30, 2017

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

*Schedule of WNMU-TV's Proportionate Share of the Net Pension Liability
As of June 30 of each Fiscal Year*

	2017	2016	2015
A. WNMU-TV's proportion of net pension liability (%) *	1.01786%	1.0853%	1.3745%
B. WNMU-TV's proportionate share of net pension liability *	\$536,377	\$590,480	\$515,596
C. WNMU-TV's covered-employee payroll *	\$143,330	\$176,735	\$204,578
D. WNMU-TV's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	374.23%	334.10%	252.03%
E. Plan fiduciary net position as a percentage of total pension liability	46.77%	47.45%	63%

*Schedule of WNMU-FM's Proportionate Share of the Net Pension Liability
As of June 30 of each Fiscal Year*

	2017	2016	2015
A. WNMU-FM's proportion of net pension liability (%) *	0.50331	0.6228%	0.6086%
B. WNMU-FM's proportionate share of net pension liability *	\$265,227	\$338,819	\$228,286
C. WNMU-FM's covered-employee payroll *	\$85,580	\$95,193	\$100,552
D. WNMU-FM's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	309.92%	355.90%	227.03%
E. Plan fiduciary net position as a percentage of total pension liability	46.77%	47.45%	63%

* The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule will be built prospectively until a full 10-year trend is presented.

REQUIRED SUPPLEMENTARY INFORMATION
WNMU-TV and WNMU-FM
June 30, 2017

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN (continued)

Schedule of WNMU-TV's Contributions
As of June 30 of each Fiscal Year

	2017	2016	2015
Contractually required contribution	\$34,367	\$36,933	\$45,558
Contributions in relation to the contractually required contribution	(34,367)	(36,933)	(45,558)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$141,223	\$144,032	\$187,635
Contributions as a percentage of covered employee payroll	24.34%	25.64%	24.28%

Schedule of WNMU-FM's Contributions
As of June 30 of each Fiscal Year

	2017	2016	2015
Contractually required contribution	\$16,994	\$21,192	\$20,773
Contributions in relation to the contractually required contribution	(16,994)	(21,192)	(20,773)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$56,661	\$95,220	\$95,183
Contributions as a percentage of covered employee payroll	29.99%	22.26%	21.82%

GASB 68 was implemented in fiscal year 2015. This schedule will be built prospectively until a full 10-year trend is presented.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
WNMU-TV and WNMU-FM
June 30, 2017

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.

**STATEMENT OF FUNCTIONAL EXPENSES
WNMU-TV**

Year ended June 30, 2017

	Program Services			Support Services			
	Programming and Production	Broadcasting	Program Information	Total Program Services	Fund Raising and Membership Development	Management and General	Total Supporting Services
Salaries, wages and benefits	\$190,791	\$232,438	\$40,705	\$463,934	\$67,275	\$212,088	\$279,363
Professional services	12,214	3,450		15,664	11,361	4,207	15,568
Supplies	206			206	74	1,159	1,233
Telephone	3,071	420		3,491	480	2,427	2,907
Postage		416	3,494	3,910	6,573	977	7,550
Advertising							
Occupancy		375		375			
Rental and maintenance of equipment	3,045	39,589		42,634	614	1,228	1,842
Printing and publications	105	190	15,409	15,704	1,560	1,530	3,090
Travel		30		30	38	61	99
Program acquisition	391,630			391,630			
Program production costs	114,228	5,224		119,452	13,866		13,866
Utilities		24,974		24,974			
Dues and memberships	667			667		3,111	3,111
Indirect costs						268,130	268,130
Miscellaneous	29			29			
	\$715,986	\$307,106	\$59,608	\$1,082,700	\$101,841	\$494,918	\$596,759

STATEMENT OF FUNCTIONAL EXPENSES
WNMU-FM

Year ended June 30, 2017

	Program Services			Support Services			
	Programming & Production	Broadcasting	Program Information	Total Program Services	Fund Raising and Membership Development	Management and General	Total Supporting Services
Salaries, wages and benefits	\$185,451	\$27,897	\$25,657	\$239,005	\$78,918	\$84,804	\$163,722
Professional services	10,869		2,568	13,437	17,459	1,050	\$18,509
Office supplies	50			50	647	1,421	\$2,068
Telephone	2,100			2,100	924	2,439	\$3,363
Postage		87	302	389	10,108	509	\$10,617
Advertising			2,185	2,185		451	\$451
Occupancy		125		125			
Rental and maintenance of equipment	1,468	8,776		10,244	1,857	32	\$1,889
Printing and publications					8,614	1,432	\$10,046
Travel		46		46	147		\$147
Program acquisition	109,756			109,756	1,360	1,984	\$3,344
Program production costs		36,495		36,495			
Utilities			625	625	759	647	\$1,406
Dues and memberships	1,976			2,601			\$127,179
Indirect costs							
Miscellaneous					152		\$152
	<u>\$311,670</u>	<u>\$73,426</u>	<u>\$31,337</u>	<u>\$416,433</u>	<u>\$120,945</u>	<u>\$221,948</u>	<u>\$342,893</u>



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

Board of Trustees
WNMU TV & WNMU FM
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of WNMU TV & WNMU FM, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise WNMU TV & WNMU FM's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WNMU TV and WNMU FM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Jackman & Company, PLLC
Certified Public Accountants

November 27, 2017