



WMVS — WMVT-TV

Financial Statements

*For the Fiscal Year Ended
June 30, 2012*

WMVS – WMVT-TV

FINANCIAL STATEMENTS

June 30, 2012 and 2011

WMVS – WMVT-TV

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JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Area Technical College District
Milwaukee, Wisconsin

We have audited the accompanying statements of net assets of WMVS – WMVT-TV, an enterprise fund of the Milwaukee Area Technical College District as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WMVS – WMVT-TV management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the WMVS – WMVT-TV enterprise fund and do not purport to, and do not, present fairly the financial position of the Milwaukee Area Technical College District as of June 30, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of WMVS – WMVT-TV as of June 30, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America as they apply to enterprise funds of governmental entities.

As discussed in Note 7 to the financial statements, an error resulting in the understatement of net assets and an equal understatement of operating revenue as of June 30, 2012 was discovered by management during 2013. Accordingly, net assets and operating revenue have been restated in the accompanying financial statements.

To the Board of Directors
Milwaukee Area Technical College District
Milwaukee, Wisconsin

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

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The combining financial schedules of WMVS – WMVT-TV and MPTV Friends, Inc. as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. We did not audit the financial statements of MPTV Friends, Inc. Those financial statements were audited by other auditors whose reports thereon has been furnished to us and, our opinion, insofar as it relates to the amounts included for MPTV Friends, Inc. is based on the reports of other auditors. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 by us and other auditors. In our opinion, the information is fairly stated in a material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Milwaukee Area Technical College District's management, the Milwaukee Area Technical College District Board, the Wisconsin Technical College System, and for filing with the Corporation for Public Broadcasting and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
November 9, 2012, except for Note 7 as to
which the date is May 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Introduction and Reporting Entity

The following management's discussion and analysis is an overview of the financial position and activities of WMVS – WMVT-TV, an enterprise fund of the Milwaukee Area Technical College District (District) as of June 30, 2012 and 2011. Management of WMVS – WMVT-TV has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

WMVS – WMVT-TV is an instrumentality of the Milwaukee Area Technical College District (District) and is governed by the Board of Directors, who is appointed by a District Board appointment committee.

WMVS – WMVT-TV's primary functions are to promote and establish noncommercial educational telecommunications within the District and to provide transmission facilities for noncommercial educational telecommunications programs throughout the District.

Overview of the Financial Statements

The Statement of Net Assets includes Assets, Liabilities and Net Assets of WMVS – WMVT-TV. This statement is classified into Current and Non-Current Assets and Liabilities, with Net Assets classified in the categories as noted below. The Statement of Revenues, Expenses and Changes in Net Assets depicts the operating revenues and expenses resulting in Operating Income (Loss), which is combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Assets. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-operating activities and cash flows from capital and related financial activities. The notes to the financial statements help explain information in the financial statements and provide more detailed data. The notes are followed by the supplemental combining financials for WMVS – WMVT-TV and the MPTV Friends, Inc., (formerly Channel 10/36 Friends) which are unaudited and presented for the purpose of additional analysis.

The accompanying financial statements as of and for the year ended June 30, 2012 have been restated to correct an error in the accounting for 2012 membership and underwriting revenues. Certain funds totaling \$567,092 held by Milwaukee Area Technical College Foundation, Inc. for the benefit of the Stations were erroneously excluded from the Stations' operating revenues and net assets. The effect of the restatement increased 2012 operating revenues and accounts receivable by \$567,092.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Below is condensed financial information as of and for the years ended June 30, 2012, 2011 and 2010.

	2012 Restated	2011	2010
Statement of Net Assets			
Assets:			
Current Assets	\$ 8,780,353	\$11,624,629	\$ 9,555,721
Property and Equipment	17,344,772	14,188,512	14,183,843
Total Assets	<u>26,125,125</u>	<u>25,813,141</u>	<u>23,739,564</u>
Liabilities:			
Current Liabilities	8,563,689	8,641,924	7,372,904
Long Term Liabilities	9,146,169	11,027,345	9,997,241
Total Liabilities	<u>17,709,858</u>	<u>19,669,269</u>	<u>17,370,145</u>
Net Assets:			
Invested in capital assets, net of related debt	6,342,622	4,643,872	5,148,913
Unrestricted	2,072,645	1,500,000	1,220,507
Total Net Assets	<u>\$ 8,415,267</u>	<u>\$ 6,143,872</u>	<u>\$ 6,369,419</u>
Statement of Revenues, Expenses and Changes in Net Assets			
Other Operating Revenues	\$ 6,653,201	\$ 3,950,525	\$ 4,375,384
Operating Expenses	<u>(13,480,800)</u>	<u>(13,470,993)</u>	<u>(14,251,446)</u>
Operating Loss	<u>(6,827,599)</u>	<u>(9,520,468)</u>	<u>(9,876,062)</u>
General Appropriations	6,309,402	4,088,974	3,411,160
Public Support from MPTV Friends, Inc.	1,930,534	2,000,000	2,000,000
Loss on Disposal of Capital Assets	-	(17,178)	(10,698)
Interest Expense	<u>(323,944)</u>	<u>(424,235)</u>	<u>(421,798)</u>
Non-Operating Income	<u>7,915,992</u>	<u>5,647,561</u>	<u>4,978,664</u>
Transfers	<u>-</u>	<u>3,647,360</u>	<u>3,221,143</u>
Capital contribution	<u>1,183,002</u>	<u>-</u>	<u>-</u>
Change in Net Assets	2,271,395	(225,547)	(1,676,255)
Net Assets, Beginning of the Year	<u>6,143,872</u>	<u>6,369,419</u>	<u>8,045,674</u>
Net Assets, End of the Year	<u>\$ 8,415,267</u>	<u>\$ 6,143,872</u>	<u>\$ 6,369,419</u>
Statement of Cash Flows			
Net Cash Flows from Operating Activities	\$ (553,904)	\$ (2,551,095)	\$ (4,787,194)
Net Cash Flows from Non-Operating Activities	9,063,616	5,944,536	5,352,991
Net Cash Flow from Capital and Related Financing Activities	<u>(8,509,712)</u>	<u>(3,393,441)</u>	<u>(565,797)</u>
Net Increase (Decrease) in Cash	-	-	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Financial Highlights

2012 Compared to 2011

The financial position of WMVS – WMVT-TV increased. Net Assets totaled \$8,415,267 and \$6,143,872 for the year ended June 30, 2012 and 2011. WMVS - WMVT-TV's Net Assets increased by \$2,271,395 for the year ended June 30, 2012 compared to a decrease in Net Assets of \$225,547 for the year ended June 30, 2011. Operating Revenues totaled \$6,653,201 and \$3,950,525 for the year ended June 30, 2012 and 2011, respectively; while Operating Expenses totaled \$13,480,800 and \$13,470,993 at June 30, 2012 and 2011, respectively. Operating Revenue increased by approximately \$2,702,676 in 2012 compared to 2011. Operating Expenses remained static in 2012 compared to 2011. The Net Operating Loss for Fiscal Year 2012 was \$6,827,599 which included non-cash depreciation expense of \$4,299,612, while the Net Operating Loss for FY2011 was \$9,520,468 which included non-cash depreciation expense of \$4,152,621. The Net Non-Operating Revenues (Expenses) and Contributed Capital were \$9,098,994 in Fiscal Year 2012 compared to \$5,647,561 in Fiscal Year 2011. Non operating expenses decreased and non operating revenues increased.

During fiscal year 2012 Milwaukee Area Technical College issued \$2,200,000 of General Obligation Notes at a premium of \$81,782 on behalf of WMVS – WMVT-TV compared to \$4,870,000 at a premium of \$104,410 in fiscal year 2011. These bonds were issued primarily for the purchase of equipment, program acquisition, program production and building remodeling and improvement projects. In addition, at June 30, 2012 WMVS – WMVT-TV still had \$12,836,183 of General Obligation Bonds outstanding which were issued in fiscal year 2006 thru fiscal year 2012. WMVS – WMVT-TV's property and equipment, net of depreciation, totaled \$17,344,772 and \$14,188,512 at June 30, 2012 and 2011, respectively. Property and equipment additions totaled \$7,455,872 and \$4,174,468 in fiscal year 2012 and fiscal year 2011 respectively.

Current assets consist primarily of accounts receivable and receivables due from other funds. Non-Current Assets consist primarily of property and equipment. Property and equipment are presented net of accumulated depreciation of \$48,369,304 and \$44,575,055 at June 30, 2012 and 2011, respectively. Current Liabilities consist of accounts payable, accrued liabilities, notes payable and unearned revenues. Non-Current Liabilities consist primarily of notes payable.

Operating revenues consist primarily of fees for services, state revenues, Corporation for Public Broadcasting service grants and underwriting revenues. Operating expenses consist primarily of programming and production, broadcasting, management and general, programming information and depreciation expense. Non-operating revenues consist primarily of general appropriations from MATC and public support from MPTV Friends. Non-operating expenses consist primarily of interest expense on bonds and loss on disposal of capital assets.

The net cash flows from operating activities, appropriations and proceed from bond issues were used primarily for the purchase of equipment and for debt service payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

2011 Compared to 2010

The financial position of WMVS – WMVT-TV decreased. Net Assets totaled \$6,143,872 and \$6,369,419 for the year ended June 30, 2011 and 2010. WMVS - WMVT-TV's Net Assets decreased by \$225,547 for the year ended June 30, 2011 compared to a decrease in Net Assets of \$1,676,255 for the year ended June 30, 2010. Operating Revenues totaled \$3,950,525 and \$4,375,384 for the year ended June 30, 2011 and 2010, respectively; while Operating Expenses totaled \$13,470,993 and \$14,251,446 at June 30, 2011 and 2010, respectively. Operating Revenue decreased by approximately \$420,000 in 2011 compared to 2010. Operating Expenses decreased by approximately \$780,000 in 2011 compared to 2010. The Net Operating Loss for Fiscal Year 2011 was \$9,520,468 which included non-cash depreciation expense of \$4,152,621, while the Net Operating Loss for FY2010 was \$9,876,062 which included non-cash depreciation expense of \$4,654,919. The Net Non-Operating Revenues (Expenses) were \$5,647,561 in Fiscal Year 2011 compared to \$4,978,664 in Fiscal Year 2010. Non operating expenses and non operating revenues increased.

During fiscal year 2011 Milwaukee Area Technical College issued \$4,870,000 of General Obligation Notes at a premium of \$104,410 on behalf of WMVS – WMVT-TV compared to \$5,750,000 at a premium of \$119,058 in fiscal year 2010. These bonds were issued primarily for the purchase of equipment, program acquisition and program production. In addition, at June 30, 2011 WMVS – WMVT-TV still had \$14,751,120 of General Obligation Bonds outstanding which were issued in fiscal year 2005 thru fiscal year 2015. WMVS – WMVT-TV's property and equipment, net of depreciation, totaled \$14,188,512 and \$14,183,843 at June 30, 2011 and 2010, respectively. Property and equipment additions totaled \$4,174,468 and \$2,904,638 in fiscal year 2011 and fiscal year 2010 respectively.

Current assets consist primarily of accounts receivable and receivables due from other funds. Non-Current Assets consist primarily of property and equipment. Property and equipment are presented net of accumulated depreciation of \$44,575,055 and \$43,292,802 at June 30, 2011 and 2010, respectively. Current Liabilities consist of accounts payable, accrued liabilities, notes payable and unearned revenues. Non-Current Liabilities consist primarily of notes payable.

Operating revenues consist primarily of fees for services, state revenues, Corporation for Public Broadcasting service grants and underwriting revenues. Operating expenses consist primarily of programming and production, broadcasting, management and general, programming information and depreciation expense. Non-operating revenues consist primarily of general appropriations from MATC and public support from MPTV Friends. Non-operating expenses consist primarily of interest expense on bonds and loss on disposal of capital assets.

The net cash flows from operating activities, appropriations and proceed from bond issues were used primarily for the purchase of equipment and for debt service payments.

Request for Information

This financial report is designed to provide donors, members, investment managers, foundations and tax payers with a general overview of the WMVS – WMVT-TV finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

WMVS – WMVT-TV
1036 North 8th Street
Milwaukee, WI 53233

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BASIC FINANCIAL STATEMENTS

WMVS - WMVT-TV

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

	2012 <u>Restated</u>	2011 <u></u>
ASSETS		
Current Assets:		
Due from MATC – General Fund		
Unrestricted	\$ 6,203,800	\$ 5,421,080
Restricted	2,002,660	5,373,068
Accounts receivable	573,893	830,481
	<u>8,780,353</u>	<u>11,624,629</u>
Total current assets		
Noncurrent Assets:		
Television studio, broadcast equipment and programming rights	65,714,076	58,763,567
Less: accumulated depreciation	<u>(48,369,304)</u>	<u>(44,575,055)</u>
Television station plant and equipment, net	<u>17,344,772</u>	<u>14,188,512</u>
TOTAL ASSETS	<u>26,125,125</u>	<u>25,813,141</u>
LIABILITIES		
Current liabilities:		
Accounts payable	345,795	329,127
Accrued liabilities	402,859	637,660
Due to other funds	2,014,060	1,750,814
Current portion of notes payable	3,858,641	3,915,245
Unearned revenue	<u>1,942,334</u>	<u>2,033,960</u>
Total current liabilities	<u>8,563,689</u>	<u>8,666,806</u>
Long-term liabilities – notes payable	<u>9,146,169</u>	<u>11,002,463</u>
Total Liabilities	<u>17,709,858</u>	<u>19,669,269</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,342,622	4,643,872
Unrestricted	<u>2,072,645</u>	<u>1,500,000</u>
Total Net Assets	<u>\$ 8,415,267</u>	<u>\$ 6,143,872</u>

See accompanying notes to financial statements

WMVS – WMVT-TV

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30, 2012 and 2011

	2012 Restated	2011
OPERATING REVENUES		
Program revenue:		
Fees for services and advertising	\$ 165,481	\$ 177,156
General appropriations from MATC	28,026	40,418
State revenues	211,900	235,400
Federal revenues	409,394	11,247
Corporation for Public Broadcasting service grants	2,312,838	1,725,615
Auction revenue	740,800	-
Contributed support	1,684,234	1,714,044
Membership income	446,438	-
Underwriting income	654,090	46,645
Total operating revenues	<u>6,653,201</u>	<u>3,950,525</u>
OPERATING EXPENSES		
Programming and production	2,178,341	2,748,415
Broadcasting	2,932,418	3,642,387
Fund raising	866,820	37,543
Management and general	2,596,614	2,233,388
Member benefits/Sales and marketing		
Program information	606,995	656,639
Depreciation and amortization	4,299,612	4,152,621
Total operating expenses	<u>13,480,800</u>	<u>13,470,993</u>
Operating income (loss)	<u>(6,827,599)</u>	<u>(9,520,468)</u>
NONOPERATING REVENUES (EXPENSES)		
General appropriations from MATC - tax levy	6,309,402	4,088,974
Public support from MPTV Friends, Inc.	1,930,534	2,000,000
Loss on disposal of capital assets	-	(17,178)
Interest expense	(323,944)	(424,235)
Total nonoperating revenues (expenses)	<u>7,915,992</u>	<u>5,647,561</u>
Income (Loss) before contributions and transfers	1,088,393	(3,872,907)
TRANSFERS IN	-	3,647,360
CONTRIBUTED CAPITAL – MPTV Friends, Inc.	<u>1,183,002</u>	<u>-</u>
Change in Net Assets	2,271,395	(225,547)
NET ASSETS - BEGINNING OF YEAR	<u>6,143,872</u>	<u>6,369,419</u>
NET ASSETS - END OF YEAR	<u>\$ 8,415,267</u>	<u>\$ 6,143,872</u>

See accompanying notes to financial statements

WMVS - WMVT-TV

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012 Restated	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 1,348,091	\$ 562,251
Cash received from federal and state grants	2,934,132	1,972,262
Cash received from (payments to) other funds	2,850,934	2,046,233
Cash payments for materials and services	(2,311,198)	(1,274,798)
Cash payments to employees	(5,375,863)	(5,857,043)
Net cash used in operating activities	<u>(553,904)</u>	<u>(2,551,095)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local tax levy	6,309,402	4,088,974
Other grants	2,754,214	1,855,562
Net cash provided by noncapital financing activities	<u>9,063,616</u>	<u>5,944,536</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(6,272,870)	(4,174,468)
Proceeds of borrowings for capital purposes	2,200,000	4,870,000
Premium on proceeds of borrowing	81,782	104,410
Principal repayments related to capital purposes	(4,114,937)	(3,708,849)
Interest paid	(403,687)	(484,534)
Net cash used in capital and related financing activities	<u>(8,509,712)</u>	<u>(3,393,441)</u>
Net increase (decrease) in cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (6,827,599)	\$ (9,520,468)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,299,612	4,152,621
Changes in assets and liabilities:		
Accounts receivable	(567,092)	-
Due from other funds	2,587,688	1,722,890
Accrued liabilities	(234,801)	112,973
Accounts payable	16,668	319,095
Due to other funds	263,246	323,344
Unearned revenue	(91,626)	338,450
Net cash used in operating activities	<u>\$ (553,904)</u>	<u>\$ (2,551,095)</u>
Noncash capital financing activities		
Capital amounts contributed from MPTV Friends, Inc.	<u>\$ 1,183,002</u>	<u>\$ -</u>

See accompanying notes to financial statements

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 -NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WMVS – WMVT-TV (the Stations) are operated by and reported as an enterprise fund of the Milwaukee Area Technical College District (MATC), Milwaukee, Wisconsin.

Basis of Presentation

The financial statements of WMVS – WMVT-TV have been prepared for the sole purpose of complying with the request of the Corporation for Public Broadcasting and are intended to present the financial position, results of operations and cash flows of only that portion of the financial reporting entity of the Milwaukee Area Technical College District that is attributable to the WMVS – WMVT television stations. The services of the Stations are provided primarily through user charges, property taxes, grants and gifts.

The accrual basis of accounting is used by the enterprise fund whereby revenues are recognized when earned and expenses are recorded when liabilities are incurred. In addition, depreciation and amortization expense are also recognized by the enterprise fund. Governmental Accounting Standards Board (GASB) Statement No. 20 (Statement) "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting" provides that proprietary funds should apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure. The District has elected to apply only FASB, APB, and ARB materials issued on or before November 30, 1989.

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

Measurement focus

The measurement focus of enterprise funds is the cost of service concept. Under the cost of service concept, revenues and expenses are matched using the accrual basis of accounting. All capital assets are capitalized at historical cost and those capital assets accounted for in the Enterprise Funds are depreciated over their useful lives. In addition, programming rights are capitalized and amortized over the contract period.

Classification of Revenue and Expense

Operating revenues/expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions to provide goods or services related to the Stations principal ongoing operations. Operating revenues include (1) fees for services; (2) contributed support; and (3) underwriting income. Operating expenses include the cost of providing programming, production, broadcasting, administration expenses, and depreciation on capital assets.

Nonoperating revenues/expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions. Nonoperating revenues include (1) gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and the

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 -NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenue and Expense (continued)

local property tax levy, and (2) any grants that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital programs. Nonoperating expenses include interest on long-term obligations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash on hand, demand deposits with financial institutions, investments in the Local Government Investment Pool, and short-term investments with maturity dates of less than ninety days from when purchased are considered cash equivalents.

Television Station Plant and Equipment

Television station plant and equipment is recorded at cost or, in the case of donated property, at its estimated fair value at the date received. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets ranging from eight to twenty years. Expenses for repairs and maintenance are charged to expense as incurred.

State Revenues

State aid is recorded as revenue when received or in the year for which the grant is intended.

Restricted grants are recorded as revenue when the legal and contractual requirements of the program are met. There are essentially two types of restricted grants. In one, monies must be expended on the specific purpose or project before any amounts will be paid; therefore, revenues are recognized when the expenses are incurred. In the other, monies are virtually unrestricted as to purpose of expense and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the amount is measurable and will be available to pay liabilities of the current period.

Corporation for Public Broadcasting (CPB) Service Grant

The CPB service grant covers a two-year period. That portion of CPB funding received in advance of the year of intended use is deferred.

Underwriting Income

Underwriting income (i.e., airtime and program acquisitions and productions) is recorded as revenue when the cash is received.

Indirect Administrative Support

Indirect support from MATC consists of allocated institutional support and physical plant costs incurred by MATC for which the Stations receive benefits. The fair value of this support is recognized in the Statements of Revenues, Expenses and Changes in Net Assets as contributed support and also as expense in the management and general functional expense category.

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 -NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers In

Transfers in reported in the financial statements represent capital asset acquisitions made by the MATC Capital Projects Fund, transferred to the Enterprise Fund, free and clear of any long-term debt used to acquire the assets.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. Restricted net assets represent unexpended debt proceeds less related current liabilities.

Equity is classified as net assets and displayed in three components

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less unexpended proceeds of long-term debt.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Component unit of MATC

MPTV Friends, Inc. (formerly Channel 10/36 Friends, Inc.), is a not-for-profit Wisconsin corporation controlled by a separate Board of Trustees and is reported as a discretely presented component unit of MATC as required by Governmental Accounting Standards Board Statement No. 39. Friends solicit funds in the name of and with the approval of the Stations. Funds are distributed by Friends to the Stations in amounts determined by the Friend’s Board of Trustees. In December 2011, MATC and MPTV Friends entered into an arrangement whereby all assets, liabilities, and operations of MPTV Friends were transferred to MATC. Property and equipment of MPTV Friends was transferred to the Stations during the year ended June 30, 2012. Such amounts totaling \$1,183,002 are represented as capital contributions in the June 30, 2012 financial statements.

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 2 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2012 and 2011 are as follows:

	Balance 7/1/11	Additions	Deletions	Balance 6/30/12
Capital assets being depreciated				
Land	\$ -	\$ 140,000	\$ -	\$ 140,000
Building	-	824,669	-	824,669
Building improvements	812,991	910,118	-	1,723,109
Furniture and equipment	3,131,742	978,232	-	4,109,974
Transmission equipment	15,626,367	1,026,445		16,652,812
Studio/broadcast equipment	20,628,793	308,899	(34,798)	20,902,894
Programming rights	18,563,674	3,267,509	(470,565)	21,360,618
Total Capital Assets				
Being Depreciated	58,763,567	7,455,872	(505,363)	65,714,076
Less: Accumulated Depreciation	(44,575,055)	(4,299,612)	505,363	(48,369,304)
Total Capital Assets				
Net of Depreciation	<u>\$ 14,188,512</u>	<u>\$ 3,156,260</u>	<u>\$ -</u>	<u>\$ 17,344,772</u>
	Balance 7/1/10	Additions	Deletions	Balance 6/30/11
Capital assets being depreciated				
Building improvements	\$ 375,939	\$ 437,052	\$ -	\$ 812,991
Furniture and equipment	2,872,254	259,488	-	3,131,742
Transmission equipment	17,367,722	-	(1,741,355)	15,626,367
Studio/broadcast equipment	20,221,887	1,553,097	(1,146,191)	20,628,793
Programming rights	16,638,843	1,924,831	-	18,563,674
Total Capital Assets				
Being Depreciated	57,476,645	4,174,468	(2,887,546)	58,763,567
Less: Accumulated Depreciation	(43,292,802)	(4,152,621)	2,870,368	(44,575,055)
Total Capital Assets				
Net of Depreciation	<u>\$ 14,183,843</u>	<u>\$ 21,847</u>	<u>\$ (17,178)</u>	<u>\$ 14,188,512</u>

Accumulated depreciation by class or function is not available.

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 3 -NOTES PAYABLE

Notes payable activity for the years ended June 30, 2012 and 2011 are as follows:

	<u>Balance 7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ 14,751,120	\$ 2,200,000	\$ 4,114,937	\$ 12,836,183	\$ 3,785,892
Plus:					
Unamortized premium	<u>166,588</u>	<u>81,782</u>	<u>79,743</u>	<u>168,627</u>	<u>72,749</u>
	<u>\$ 14,917,709</u>	<u>\$ 2,281,782</u>	<u>\$ 4,194,680</u>	<u>\$ 13,004,810</u>	<u>\$ 3,858,641</u>
	<u>Balance 7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ 13,589,970	\$ 4,870,000	\$ 3,708,850	\$ 14,751,120	\$ 3,854,007
Plus:					
Unamortized premium	<u>122,477</u>	<u>104,410</u>	<u>60,299</u>	<u>166,588</u>	<u>61,238</u>
	<u>\$ 13,712,447</u>	<u>\$ 4,974,411</u>	<u>\$ 3,769,149</u>	<u>\$ 14,917,709</u>	<u>\$ 3,915,245</u>

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 3 -NOTES PAYABLE (continued)

Principal and interest is payable from irrevocable ad-valorem taxes levied on all taxable property in the Milwaukee Area Technical College District. Bonds payable represent the portion of MATC's long-term debt being repaid by the television enterprise fund as follows:

	<u>2012</u>	<u>2011</u>
2006-07I general obligation promissory notes, interest at 4.0% to 4.25%, amounts from \$2,450,000 to \$2,830,000 due December 1 through 2011 (a)	\$ -	\$ 725,539
2007-08J general obligation promissory notes, interest at 3.00% to 3.125%, annual amounts from \$1,500,000 to \$4,000,000 due on December 1 through 2012 (b)	756,057	1,590,521
2008-09D general obligation promissory notes, interest at 2.% to 2.50%, annual amounts from \$1,500,000 to \$3,900,000 due on December 1 through 2013 (c)	1,367,523	2,163,545
2009-10G general obligation promissory notes, interest at 2.% to 2.50%, annual amounts from \$1,000,000 to \$3,500,000 due on December 1 through 2015 (d)	4,181,818	5,401,515
2010-11B general obligation promissory notes, interest at 2.%, annual amounts from \$1,000,000 to \$4,500,000 due on December 1 through 2015 (e)	4,591,714	4,870,000
2011-12B general obligation promissory notes, interest at 1.75% to 3%, annual amounts from \$4,300,000 to \$5,150,000 due on June 1 through 2017 (f)	1,939,071	-
 Total outstanding promissory notes	 <u>12,836,183</u>	 <u>14,751,120</u>
Unamortized promissory note premium	168,627	166,589
	<u>\$ 13,004,810</u>	<u>\$ 14,917,709</u>

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 3 -NOTES PAYABLE (continued)

- (a) The General Obligation Promissory Notes dated June 14, 2007 were issued for \$13,000,000 to finance building remodeling and improvement projects, acquire moveable equipment and finance implementation of digital television conversion. Semi-annual interest payments are to be made on June 1 and December 1 of each year.
- (b) The General Obligation Promissory Notes dated April 15, 2008 were issued for \$16,000,000 to finance equipment, building remodeling and improvement projects. Semi-annual interest payments are to be made on June 1 and December 1 of each year.
- (c) The General Obligation Promissory Notes dated February 17, 2009, were issued for \$16,000,000 to acquire moveable equipment, consisting of projects for future capital equipment needs. Semi-annual interest payments are to be made on June 1 and December 1 of each year.
- (d) The General Obligation Promissory Notes dated March 15, 2010, were issued for \$16,000,000 to acquire moveable equipment and to finance building remodeling and improvement projects. Semi-annual interest payments are to be made on June 1 and December 1 of each year.
- (e) The General Obligation Promissory Notes dated September 15, 2010, were issued for \$17,500,000 to acquire moveable equipment and to finance building remodeling and improvement projects. Semi-annual interest payments are to be made on June 1 and December 1 of each year.
- (f) The General Obligation Promissory Notes dated September 15, 2011, were issued for \$21,500,000 to acquire moveable equipment and to finance building remodeling and improvement projects. Semi-annual interest payments are to be made on June 1 and December 1 of each year.

Debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,785,892	\$ 226,266	\$ 4,012,158
2014	3,570,462	171,401	3,741,863
2015	2,911,983	99,704	3,011,687
2016	2,117,613	42,852	2,160,465
2017	450,233	13,507	463,740
	<u>\$ 12,836,183</u>	<u>\$ 553,730</u>	<u>\$ 13,389,913</u>

WMVS – WMVT-TV

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 4 -INCOME TAXES

MATC, including the activities of its television stations, is exempt from federal and state income taxes under Section 115(2) of the Internal Revenue Code.

NOTE 5 -COMMITMENTS AND CONTINGENCIES

MATC has entered into a 50 year lease for shared use of a private transmitter tower located on land owned by MATC. Under the terms of the lease, which expires in 2030, no rent is charged; however, the Stations are committed to share annual transmitter repair and maintenance costs on an equal basis with the lessor.

WMVS – WMVT-TV participates in a service grant program which is subject to an audit by the Corporation for Public Broadcasting (CPB). Accordingly, compliance with applicable grant requirements has not been determined at this time. The amount, if any, of expenses which may be disallowed by CPB cannot be determined at this time, although WMVS – WMVT-TV expects such amount, if any, to be immaterial to the financial statements.

NOTE 6 -RISK MANAGEMENT

MATC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; environmental damage; and health care of its employees. MATC's self-insured health and dental plan pays claims up to \$150,000 and \$2,000 per member, respectively, per contract year. Annual claims between \$150,000 and \$1,000,000 are covered by stop loss insurance. MATC has responsibility for claims in excess of \$1,000,000 in the rare event that such a claim occurs. The District has chosen to retain a portion of the risks related to general liability, property and worker's compensation. MATC has purchased commercial insurance for amounts in excess of the self-insured retention on these types of claims. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

NOTE 7 –Correction of an Error - Restatement

The accompanying financial statements as of and for the year ended June 30, 2012 have been restated to correct an error in the accounting for 2012 membership and underwriting revenues. Certain funds totaling \$567,092 held by Milwaukee Area Technical College Foundation, Inc. for the benefit of the Stations were erroneously excluded from the Stations' operating revenues and net assets. The effect of the restatement increased 2012 operating revenues and accounts receivable by \$567,092.

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SUPPLEMENTARY INFORMATION

**WMVS - WMVT-TV and
MPTV FRIENDS, INC.**

Combining Schedule - Statement of Net Assets Information

June 30, 2012 and 2011

	2012 Restated			2011		
	MATC Television Enterprise Fund Operating	MPTV Friends, Inc.	Total	MATC Television Enterprise Fund Operating	MPTV Friends, Inc.	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
Cash	-	388,573	388,573	-	1,070,484	1,070,484
Investments	-	4,235,923	4,235,923	-	4,925,796	4,925,796
Due from MATC - General Fund	8,206,460	-	8,206,460	10,794,148	-	10,794,148
Pledges receivable, net	-	2,382	2,382	-	170,094	170,094
Accounts receivable	573,893	7,457	581,350	830,481	36,023	866,504
Inventory and prepaid expenses	-	794	794	-	50,334	50,334
Cash surrender value	-	14,747	14,747	-	20,127	20,127
Television studio, broadcast equipment and programming rights	65,714,076	-	65,714,076	58,763,567	1,625,562	60,389,129
Less: accumulated depreciation and amortization	(48,369,304)	-	(48,369,304)	(44,575,055)	(416,143)	(44,991,198)
TOTAL ASSETS	26,125,125	4,649,876	30,775,001	25,813,141	7,482,277	33,295,418
LIABILITIES						
Accounts payable and accrued liabilities	748,654	4,649,876	5,398,530	966,787	1,029,962	1,996,749
Due to other funds	2,014,060	-	2,014,060	1,750,814	-	1,750,814
Unearned revenue	1,942,334	-	1,942,334	2,033,960	187,173	2,221,133
Long-term liabilities						
Due within one year	3,858,641	-	3,858,641	3,915,245	-	3,860,363
Due in more than one year	9,146,169	-	9,146,169	11,002,463	-	11,057,345
Total Liabilities	17,709,858	4,649,876	22,359,734	19,669,269	1,217,135	20,886,404
NET ASSETS						
Invested in capital assets, net of related debt	6,342,622	-	6,342,622	4,643,872	1,209,419	480,223
Restricted	-	-	-	-	537,758	5,910,826
Unrestricted	2,072,645	-	2,072,645	1,500,000	4,517,965	6,017,965
Total Net Assets	\$ 8,415,267	\$ -	\$ 8,415,267	\$ 6,143,872	\$ 6,265,142	\$ 12,409,014

**WMVS - WMVT-TV and
MPTV FRIENDS, INC.**

Combining Schedule - Statements of Revenues, Expenses and Changes in Net Assets Information

Years ended June 30, 2012 and 2011

	2012 Restated				2011				
	MATC Television Enterprise Fund		MPTV	Total	MATC Television Enterprise Fund		MPTV	Total	
	Operating	Other	Friends, Inc.		Operating	Other	Friends, Inc.		Eliminations
SUPPORT AND REVENUE									
Public support, including MPTV Friends, Inc.	\$ 1,930,534	\$ -	\$ -	\$ 73,358	\$ -	\$ -	\$ -	\$ -	\$ -
General appropriations from MATC	6,309,402	28,026	-	6,337,428	-	-	-	40,418	4,129,392
State revenues	211,900	-	-	211,900	-	-	-	235,400	235,400
Federal revenues	409,394	-	-	409,394	-	-	-	11,247	11,247
Corporation for Public Broadcasting service grants	2,312,838	-	-	2,312,838	-	-	-	1,725,615	1,725,615
Investment income gain (loss)	-	-	13,245	13,245	-	-	-	-	852,683
Membership income	446,438	-	2,904,962	3,351,400	-	-	-	3,384,007	3,384,007
Auction income	740,800	-	187,980	928,780	-	-	-	1,054,655	1,054,655
Underwriting income	654,090	-	547,051	1,201,141	-	-	-	717,483	764,128
Contributed support	1,684,234	-	-	1,684,234	-	-	-	42,291	1,756,335
Fees for services, advertising and other grants	165,481	-	-	165,481	-	-	-	177,156	177,156
Bequests	-	-	321,045	321,045	-	-	-	122,224	122,224
Special events	-	-	13,474	13,474	-	-	-	68,915	68,915
Total Support and Revenue	14,865,111	28,026	3,987,757	17,023,718	(1,857,176)	-	6,242,258	(2,000,000)	14,281,757
EXPENSES									
Programming and production	2,150,315	-	-	2,178,341	-	-	-	-	2,748,415
Broadcasting	2,932,418	28,026	-	2,932,418	-	-	-	40,418	3,642,387
Fund raising	866,820	-	284,439	1,151,259	-	-	-	-	617,549
Member benefits	-	-	1,111,583	1,111,583	-	-	-	1,789,090	1,789,090
Management and general	2,596,614	-	508,724	3,105,338	-	-	-	530,878	2,764,266
Sales and Marketing	606,995	-	225,835	832,830	-	-	-	417,812	417,812
Program information	-	-	-	-	-	-	-	-	656,639
Donated in-kind goods and services	4,299,612	-	-	4,299,612	-	-	-	42,291	42,291
Depreciation and amortization	-	-	-	-	-	-	-	-	4,152,621
Loss on disposal of capital assets	323,944	-	-	323,944	-	-	-	17,178	17,178
Interest expense	-	-	-	-	-	-	-	-	424,235
Transfer to MATC television enterprise fund	-	-	1,857,176	(1,857,176)	-	-	-	-	(2,000,000)
Total Expenses	13,776,718	28,026	3,987,757	15,935,325	(1,857,176)	-	5,360,077	(2,000,000)	17,272,483
Total Support and Revenue in Excess of (less than)									
Expenses before Capital Contributions and Trans	1,088,393	-	-	1,088,393	-	-	-	-	(2,990,726)
CAPITAL CONTRIBUTIONS - MPTV Friends, Inc.									
TRANSFER IN - From MATC	1,183,002	-	-	(1,183,002)	-	-	-	-	-
TRANSFER OUT - To MATC Foundation	-	-	(5,082,140)	(5,082,140)	-	-	-	-	3,647,360
TRANSFER OUT - To MATC	-	-	(1,183,002)	(1,183,002)	-	-	-	-	-
Total Support and Revenue in Excess of (less than)									
Expenses	2,271,395	-	(6,265,142)	(3,993,747)	-	-	882,181	-	656,634
NET ASSETS - BEGINNING OF YEAR	6,143,872	-	6,265,142	12,409,014	-	-	5,382,961	-	11,752,380
NET ASSETS - END OF YEAR	\$ 8,415,267	\$ -	\$ -	\$ 8,415,267	\$ -	\$ -	\$ 6,265,142	\$ -	\$ 12,409,014

WMVS – WMVT-TV

NOTES TO THE COMBINING SCHEDULES

June 30, 2012 and 2011

NOTE 1 -ORGANIZATION

WMVS – WMVT-TV (the Stations) are licensed to the Milwaukee Area Technical College District (MATC), Milwaukee, Wisconsin, operated by MATC as a public service and reported as an enterprise fund. MPTV Friends, Inc. (Friends), formerly Channel 10/36 Friends, Inc., is a not-for-profit Wisconsin corporation controlled by a separate Board of Trustees and is reported as a discretely presented component unit of MATC as required by Governmental Accounting Standards Board Statement No. 39. Friends solicit funds in the name of and with the approval of the Stations. Funds are distributed by Friends to the Stations in the amount determined by the Friends' Board of Trustees.

Separately issued financial statements of the MPTV Friends, Inc. may be obtained from the Friends' office.

In December 2011, MATC and MPTV Friends entered into an agreement whereby all assets, liabilities and operations of MPTV Friends were transferred to MATC. Property and equipment of MPTV Friends were transferred during the year ending June 30, 2012. The remaining assets are expected to be transferred to MATC by July 1, 2013.

NOTE 2 -BASIS OF ACCOUNTING

The Stations follow the accrual basis of accounting and Government Auditing Standards Board pronouncements applicable to enterprise funds. Friends follow the accrual basis of accounting and Financial Accounting Standards Board pronouncements applicable to not-for-profit organizations. The combining statements are prepared for the sole purpose of complying with the request of the Corporation of Public Broadcasting.

The assets, liabilities and equity of the MATC television enterprise fund are reported in two self-balancing fund groups as follows:

Operating funds include unrestricted resources and grants that are available for support of the station's operations.

The Other fund includes certain grants funds applicable to station operations.

NOTE 3 -ELIMINATIONS

The combining financial statements include the transactions of the Stations and the Friends. All transactions between the organizations have been eliminated in the combination.