

WEFS

**WEFS Television Station (A Department
of Eastern Florida State College)**

FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015



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WEFS Television Station
(A Department of Eastern Florida State College)
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For the years ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Eastern Florida State College

We have audited the accompanying basic financial statements of the WEFS Television Station, a department of Eastern Florida State College, as of and for the years ended June 30, 2016 and 2015 and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the WEFS Television Station, a department of Eastern Florida State

College, as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the WEFS Television Station, a department of Eastern Florida State College, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the accounts of Eastern Florida State College that are attributable to the transactions of the WEFS Television Station. They do not purport to, and do not, present fairly the financial position of Eastern Florida State College, as of June 30, 2016 and 2015, the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the WEFS Television Station, a department of Eastern Florida State College'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 that testing, and not to provide an opinion on the 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 WEFS Television Station's, a department of Eastern State Florida College, internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Melbourne, Florida
November 21, 2016

WEFS Television Station (A Department of Eastern Florida State College) Management's Discussion and Analysis

This section of the WEFS Television Station annual financial report presents a discussion and analysis of the financial position and performance of the Station during the fiscal year ended June 30, 2016. 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 discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

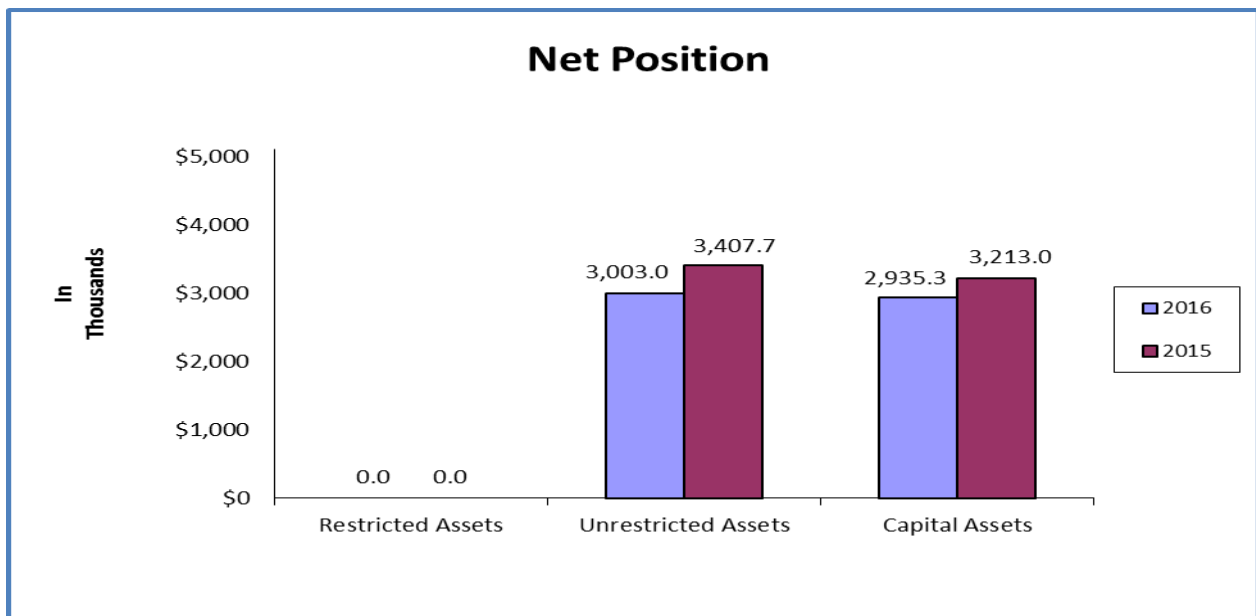
USING THIS ANNUAL REPORT

This annual 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 Governmental Entities.

One of the most important questions asked about Station's finances is whether the Station as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The Station's Net Position is one indicator of the Station's financial health. Over time, increases or decreases in Net Position is one indicator of the improvement or erosion of the Station's financial health.

FINANCIAL HIGHLIGHTS

The Station's financial position, as a whole, decreased during the fiscal year ended June 30, 2016. Its combined Net Position decreased \$682,480 from the previous year. The decrease in Net Position was primarily due to a culmination of all unrestricted operating activities during the fiscal year and normal depreciation of capital assets.



WEFS Television Station
(A Department of Eastern Florida State College)
Management's Discussion and Analysis

The change in the Station's Net Position was comprised of a decrease in unrestricted Net Position by \$404,744 and decrease in capital assets of \$277,736.

Unrestricted Net Position decreased as a result of a culmination of all unrestricted operating activities during the fiscal year.

Invested in Capital Assets decreased by \$277,736 as a result of normal depreciation.

Statement of Net Position: The Statement of Net Position presents the assets, liabilities and net position of the Station at the end of the fiscal year, June 30, 2016. The purpose of this statement is to present a snapshot of the financial condition of the organization. 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.

Total Net Position, which is the difference between total assets and total liabilities, is one of the indicators of the current financial condition of the Station.

Assets and liabilities are categorized between current and non-current. Current assets and liabilities are those that are expected to mature or become payable within the 12 month operating cycle. Non-current assets and liabilities are expected to mature or become payable after 12 months.

The following is a summarized version of WEFS Television Station's Statement of Net Position as of June 30, 2016.

EASTERN FLORIDA STATE COLLEGE WEFS
CONDENSED STATEMENT NET POSITION
AS OF JUNE 30, 2016 and 2015

In Thousands	2016	2015	Change
ASSETS			
Current Assets	\$3,120.1	\$3,518.9	-11.3%
Capital Assets, net	2,935.3	3,213.0	-8.6%
Total Assets	6,055.4	6,731.9	-10.0%
LIABILITIES			
Current Liabilities	4.6	2.4	91.7%
Compensated Absences Payable	112.6	108.7	3.6%
Total Liabilities	117.2	111.1	5.5%

WEFS Television Station
(A Department of Eastern Florida State College)
Management's Discussion and Analysis

EASTERN FLORIDA STATE COLLEGE WEFS
CONDENSED STATEMENT NET POSITION, CONTINUED
AS OF JUNE 30, 2016 and 2015
In Thousands

	2016	2015	Change
NET POSITION			
Invested in Capital Assets	2,935.3	3,213.1	-8.6%
Restricted - Expendable	0.0	0.0	-0.0%
Unrestricted	3,003.0	3,407.7	-11.9%
Total Net Position	\$5,938.3	\$6,620.8	-10.9%
Decrease in Net Position	(\$ 682.5)		

Current Assets:

Current assets consist of Cash and cash equivalents, Accounts Receivable from Other Government Agencies and Primary Government. Cash and cash equivalents decreased by 11.7%.

Receivables include amounts due from activities for tower rental due from wireless carriers and video recording of the Orlando City Soccer games.

Capital Assets:

The Station's capital assets include both equipment, purchased for the daily operation of the station, and the Roger W. Dobson building where the Station resides. Capital assets were purchased in fiscal year 2016 in the amount of \$5,147 for a handheld video camera stabilization system and \$852,213 was purchased in 2015 for a high definition video production trailer.

Liabilities:

The Station's liabilities increased \$6,001 during the year. This is mainly comprised of the recording of compensated absences for the year.

Net Position:

Net Position is presented in three major categories. The first is invested in Capital Assets, which represents the Station's equity in its plant and equipment. The second category is Restricted, and the third is Unrestricted.

Restricted Net Position are funds that are limited in terms of the purpose or time for which they may be expended. These restrictions are noted on the sub-classification of expendable restricted Net Position.

**WEFS Television Station
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Management's Discussion and Analysis**

Unrestricted Net Position represent those balances from operational activities that have not been restricted by parties external to the Station. This includes funds that have been designated by the Eastern Florida State College Board of Trustees for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received.

Statement of Revenues, Expenses and Changes in Net Position: The Statement of Revenues, Expenses and Changes in Net Position present the financial results of operations for the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations as non-operating revenues. The Station's dependency on these revenue sources ordinarily results in an operating loss. 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.

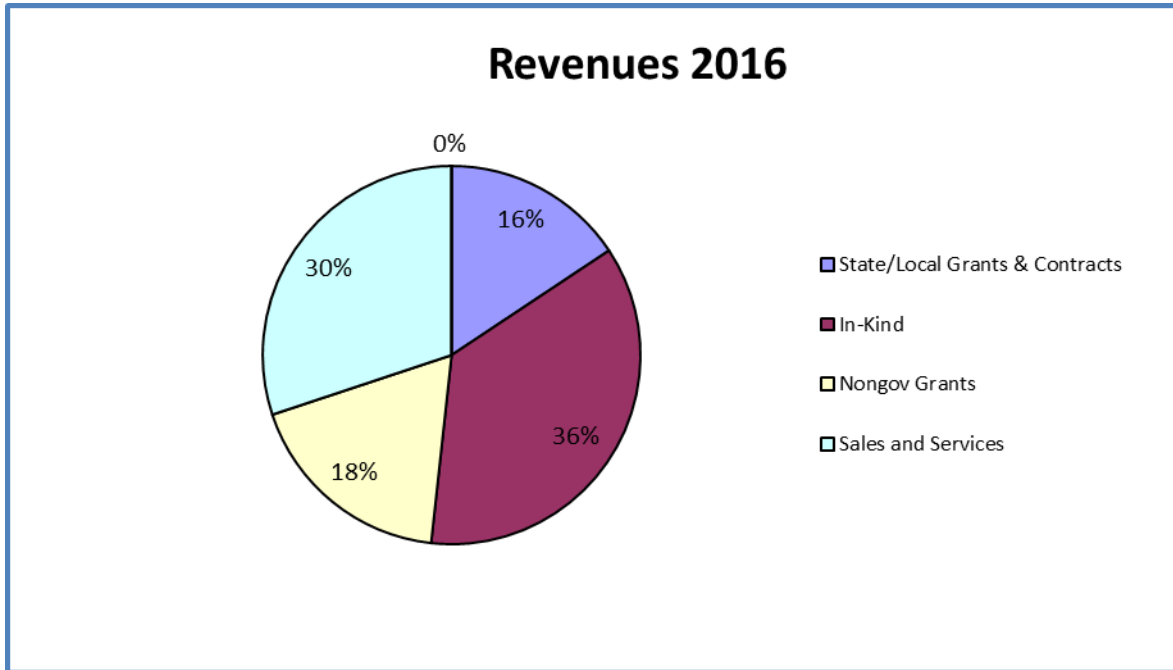
The following is a summarized version of WEFS Television Station's revenues, expenses and changes in Net Position for the fiscal years ended June 30, 2016 and 2015.

**EASTERN FLORIDA STATE COLLEGE WEFS
CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 and 2015
In Thousands**

	2016	2015
Operating Revenues	\$1,941.5	\$1,956.8
Operating Expenses	2,624.0	2,722.3
Changes in Net Position	(682.5)	(765.5)
Net Position at Beginning of Year	6,620.8	7,386.3
Net Position at End of Year	\$5,938.3	\$6,620.8

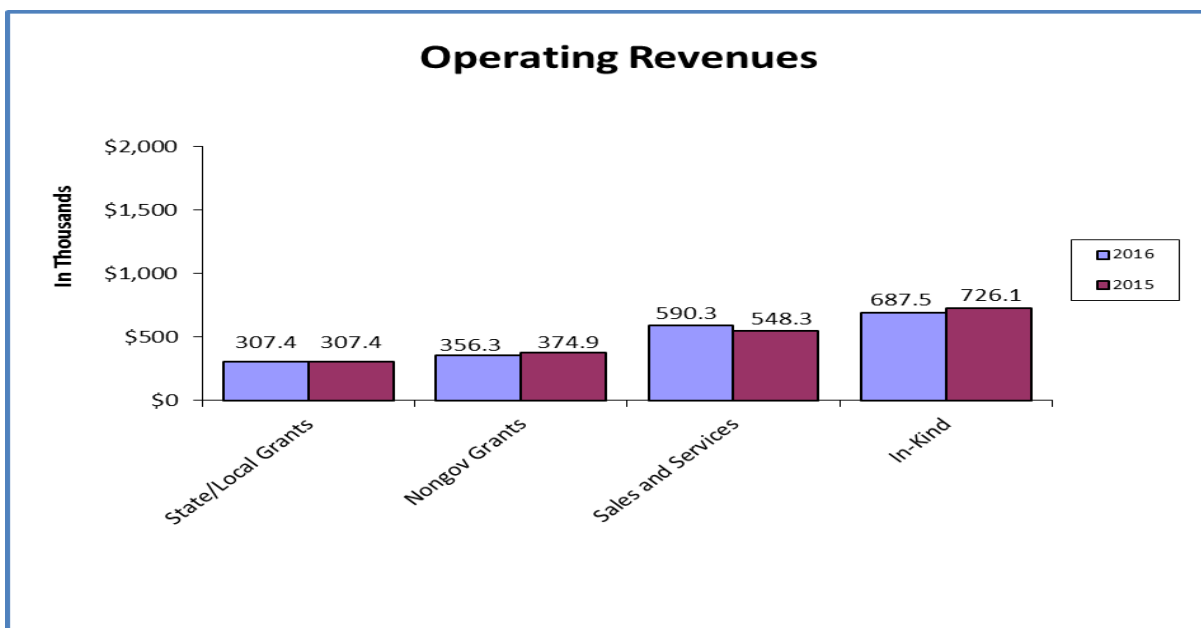
**WEFS Television Station
(A Department of Eastern Florida State College)
Management's Discussion and Analysis**

The following is the Station's revenues for 2016, including both operating and non-operating.



One of the financial strengths of the Station is its diversity of revenue streams which supplement the daily operations of the Station. These include nongovernmental grants and contracts that include private support, sales and services, in-kind contributions, and state appropriations.

The following chart shows a comparison of revenues by category for fiscal years 2016 and 2015.



WEFS Television Station (A Department of Eastern Florida State College) Management's Discussion and Analysis

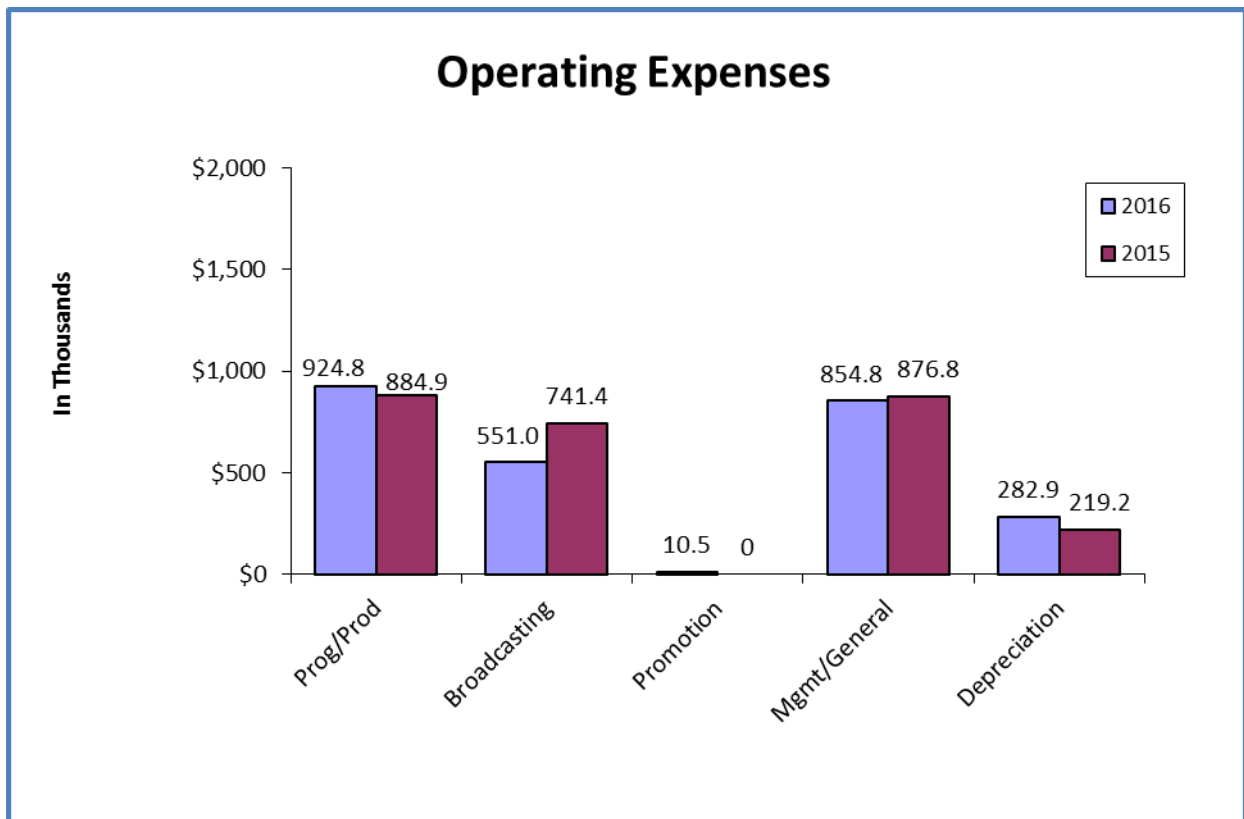
State and Local grants remained the same due to the continuation of the Florida Community Service Grant.

Nongovernmental grants and contracts include the Corporation for Public Broadcasting Television Community Service Grant and the Television Interconnect Grant. Nongovernmental grants and contracts decreased by \$18,659 for the year due a decrease in funding by CPB.

Sales and services include multi camera studio taping and production for college departments and local state agencies. Sales and Services increased by \$42,025 for the year due to a new agreement for the video recording of the Orlando City Soccer games.

In-kind contributions, which include support from Eastern Florida State College facility and administrative areas, decreased by \$38,585 for the year.

The Station's total operating expenses decreased \$98,291 from the previous year. The following chart shows a comparison of expenses by category for fiscal years 2016 and 2015.



Programming and Production expense increased by \$39,919 from the previous year primarily due to the production of the Orlando City Soccer games.

**WEFS Television Station
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Management's Discussion and Analysis**

Broadcasting expense decreased by \$190,398 from the previous year due a reduction in personnel costs as a result of the joint master control agreement.

Promotion information and program expense was added and increased by \$10,488 from the previous year due to the production of announcements to promote WEFS programming.

Management and general expenses decreased by \$21,985 from the previous year primarily due to a reduction in Eastern Florida State College's indirect support of the Station.

Economic Factors that will affect the Future

The Eastern Florida State College WEFS Television Station's economic condition is closely tied to that of the State of Florida and the local economy of Brevard County. Because of declining State revenues and increased demand for State resources, State funding is anticipated to continue to decline in the coming years.

The Station has entered into a joint master control agreement that will outsource our broadcasting master control functions. This will increase the quality of the broadcasting service and will be staffed twenty four hours a day which will reduce broadcast interruptions. The Station will also be able to produce local high definition programming with the purchase of a multi camera high definition production system. This will have the potential to create new revenue sources in the future.

As evidenced in this report, the largest revenue source of the Station is funding from external sources. As the demands for local services continue to increase, and the potential of college funding decreases, it is anticipated that the Station will focus on reducing its dependency on the appropriated dollars from Eastern Florida State College. The Station will need to look for other sources of income to supplement the activities needed to function, while continuing to provide multimedia programming services to enhance Eastern Florida State College and the community it serves.

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WEFS Television Station
(A Department of Eastern Florida State College)
Statements of Net Position

<i>June 30,</i>	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,051,599	\$ 3,457,105
Accounts receivable	68,537	39,356
Prepaid expenses	-	22,418
Total current assets	3,120,136	3,518,879
Noncurrent assets		
Capital assets, net	2,935,310	3,213,046
Total noncurrent assets	2,935,310	3,213,046
Total assets	6,055,446	6,731,925
LIABILITIES		
Current liabilities		
Accounts payable	4,576	2,437
Total current liabilities	4,576	2,437
Noncurrent liabilities		
Compensated absences payable	112,604	108,742
Total noncurrent liabilities	112,604	108,742
Total liabilities	117,180	111,179
NET POSITION		
Invested in capital assets	2,935,310	3,213,046
Unrestricted	3,002,956	3,407,700
Total net position	\$ 5,938,266	\$ 6,620,746

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

WEFS Television Station
(A Department of Eastern Florida State College)
Statements of Revenues, Expenses and Changes in Net Position

For the years ended June 30,	2016	2015
Operating revenues		
State and local grants and contracts	\$ 307,447	\$ 307,447
Nongovernmental grants and contracts	356,246	374,905
Sales and services	590,314	548,289
In-kind contributions	687,547	726,132
Total operating revenues	1,941,554	1,956,773
Operating expenses		
Programming and production	924,814	884,895
Broadcasting	551,046	741,444
Program information and promotion	10,488	-
Management and general	854,803	876,788
Depreciation	282,883	219,198
Total operating expenses	2,624,034	2,722,325
Changes in net position	(682,480)	(765,552)
Net position - beginning of year	6,620,746	7,386,298
Net position - end of year	\$ 5,938,266	\$ 6,620,746

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

WEFS Television Station
(A Department of Eastern Florida State College)
Statements of Cash Flows

<i>For the years ended June 30,</i>	2016	2015
Cash flows from operating activities		
Grants and contracts	\$ 663,693	\$ 682,352
Sales and services	583,552	486,514
Payments to suppliers	(749,300)	(914,118)
Payments to employees	(898,304)	(851,957)
Net cash used in operating activities	(400,359)	(597,209)
Cash flows from capital and related activities		
Purchase of capital assets	(5,147)	(852,213)
Deposit for capital assets	-	974,475
Net cash provided by (used in) capital and related activities	(5,147)	122,262
Net decrease in cash and cash equivalents	(405,506)	(474,947)
Cash and cash equivalents, beginning of year	3,457,105	3,932,052
Cash and cash equivalents, end of year	\$ 3,051,599	\$ 3,457,105

**RECONCILIATION OF NET OPERATING LOSS TO NET
CASH USED IN OPERATING ACTIVITIES:**

Operating loss	\$ (682,480)	\$ (765,552)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	282,883	219,198
Change in assets and liabilities:		
Increase in accounts receivables	(29,181)	(39,357)
Decrease (increase) in prepaid expenses	22,418	(22,418)
Increase in accounts payable	2,139	43
Increase in compensated absences payable	3,862	10,877
Net cash used in operating activities	\$ (400,359)	\$ (597,209)

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

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**WEFS Television Station
(A Department of Eastern Florida State College)
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Department

The WEFS Television Station (“WEFS”) is a department organized within Eastern Florida State College (the “College”) to provide the highest quality educational, cultural and informational programming to the Space Coast. The governing body of the College is the District Board of Trustees. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by the laws and rules of the State Board of Education. The financial statements of WEFS are intended to present the financial position and changes in financial position and cash flows of only that portion of the funds of the Eastern Florida State College that are attributable to the transactions of WEFS. WEFS follows standards of accounting and financial reporting prescribed for colleges and universities.

Basis of Accounting

Basis of accounting describes the timing of recognition of revenues, expenses and related assets and liabilities in the accounts and presentation in the financial statements. WEFS’s financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements and time requirements are met.

WEFS’s principal operating activity is instruction. Operating revenues and expenses include all fiscal transactions related to instruction, including administration, academic support, physical plant operation and depreciation of capital assets.

Cash and Cash Equivalents

The amount reported as cash and cash equivalents represents a claim on cash that is under the control of the College and maintained in the College’s demand accounts, placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund, or placed with the Florida State Division of Treasury in the Treasurer’s Special Purpose Investment Account. All amounts of the claim on cash are backed by the full faith and credit of the College and are immediately available for use by WEFS.

Accounts Receivable

WEFS considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**WEFS Television Station
(A Department of Eastern Florida State College)
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. These amounts are recognized as expenses in the period in which the Station receives those benefits.

Capital Assets

Capital assets are comprised of physical plant and equipment and are stated at cost or fair value at the date of acquisition or at nominal cost at the date of donation. WEFS has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for improvements other than buildings. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Other structures and improvements	10 years
Computer equipment	3 years
Vehicles	5 years
Office and educational equipment and furniture	5-7 years

Accrued Compensated Absences

A liability is accrued for an employee's right to receive compensation for future absences when certain conditions are met. It is the policy of WEFS to grant all regular full-time and part-time employees annual leave based upon the number of years of employment with the College of which WEFS is a department. Full-time employees with less than 5 years of service earn 8 hours, with more than 5 years but less than 10 years of service earn 10 hours and with 10 or greater years of service earn 12 hours of vacation leave per month. Employees are encouraged to use their annual leave in the year that it is earned. Full-time employees will be paid for their unused vacation leave balance up to 240 hours when employment is terminated for any reason. Part-time employees will be paid for their unused vacation leave balance up to 120 hours when employment is terminated for any reason. Executive and senior management employees will be paid for their unused vacation leave balance up to 352 and 480 hours, respectively, when employment is terminated for any reason.

Sick leave is accumulated at a rate of up to 8 hours per month. Employees are not paid for their unused sick leave balance unless it is upon the death of the employee or the retirement of the employee who also has 6 or more years of service with the College. The amount will be calculated based upon the vesting schedule below:

**WEFS Television Station
(A Department of Eastern Florida State College)
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Number of Completed Years of Service	Percentage
0-3	35%
4-6	40%
7-9	45%
10	50%
11-29	50% plus 2 ½% for each full year of service over 10
30 and above	100%

Grants and Contributions

All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Resources restricted by the donor, grantor or other outside party for particular purposes are deemed to be earned and reported as revenue or capital additions, as appropriate, when the applicable requirements, eligibility and/or time requirements, are met. Such amounts received but not yet earned are reported as deferred revenue. When both restricted and unrestricted resources are available to fund specific programs it is WEFS’s policy to first apply the restricted resources to such programs followed by the use of unrestricted resources.

In-Kind Contributions

In-kind contributions are reflected on the accompanying statements at their estimated fair market values at the date of receipt.

Uses of Estimates

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

WEFS Television Station
(A Department of Eastern Florida State College)
Notes to Financial Statements

NOTE 2: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Deletions/ Retirements	Balance June 30, 2016
Equipment	\$ 4,679,821	\$ 5,147	\$ (24,095)	\$ 4,660,873
Building	4,230,175	-	-	4,230,175
Total cost	8,909,996	5,147	(24,095)	8,891,048
Less accumulated depreciation:				
Equipment	(3,881,601)	(205,574)	24,095	(4,063,080)
Building	(1,815,349)	(77,309)	-	(1,892,658)
Total accumulated depreciation	(5,696,950)	(282,883)	24,095	(5,955,738)
Capital assets, net	\$ 3,213,046	\$ (277,736)	\$ -	\$ 2,935,310

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions/ Retirements	Balance June 30, 2015
Equipment	\$ 3,978,554	\$ 852,213	\$ (150,946)	\$ 4,679,821
Building	4,230,175	-	-	4,230,175
Total cost	8,208,729	852,213	(150,946)	8,909,996
Less accumulated depreciation:				
Equipment	(3,890,659)	(141,888)	150,946	(3,881,601)
Building	(1,738,040)	(77,309)	-	(1,815,349)
Total accumulated depreciation	(5,628,699)	(219,197)	150,946	(5,696,950)
Capital assets, net	\$ 2,580,030	\$ 633,016	\$ -	\$ 3,213,046

Depreciation expense totaled \$282,883 and \$219,198 for years ending June 30, 2016 and 2015, respectively.

NOTE 3: OPERATING LEASES

Sale of Channel Rights

During 2008, WEFS entered into agreements to put the educational broadband service channels (“EBS”) into place and to lease the excess capacity on its EBS channels. The leases terminate in 2018, with two options to renew for ten years per renewal. WEFS received an initial payment of

**WEFS Television Station
(A Department of Eastern Florida State College)
Notes to Financial Statements**

NOTE 3: OPERATING LEASES (Continued)

\$2,750,000 upon the signing of the leases for the EBS channels. This payment was for getting the channels in place and was considered to be fully earned when received. The agreement requires monthly revenue of \$32,000, which is scheduled to increase annually by 3%.

WEFS also collects revenue from four other agreements with wireless providers that range from \$900 per month to \$2,883 per month with agreements lasting from the current fiscal year through 2029. One of the wireless providers, whose contract originally went through 2018, terminated the contract as of August 31, 2015.

The future minimum income under these agreements is as follows:

<i>Year ending June 30,</i>	
2017	\$ 574,457
2018	549,383
2019	35,877
2020	35,877
2021	37,817
2022 - 2026	196,093
2027 - 2030	89,512
<u>Total future minimum lease income</u>	<u>\$ 1,519,016</u>

During the years ended June 30, 2016 and 2015, WEFS recorded lease revenue of \$554,284 and \$548,130, respectively, which is included in sales and services on the statement of revenues, expenses and changes in net position.

Rent Expense

WEFS leases antenna space and shares digital tower space under operating leases. The total annual rental for the antenna space that WEFS paid for the fiscal years ended June 30, 2016 and 2015 was \$61,800. This amount is included in broadcasting expenses in the statement of revenues, expenses and changes in net position.

During 2015, WEFS entered into an operating lease agreement for a truck terminating in 2020 with an option to continue month to month. The agreement is for minimum monthly payments of \$870. Total future minimum lease payments are included in the future minimum lease table below along with WEFS's portion of the shared digital tower future minimum rental payments, excluding the in-kind donation from the State Department of Education each year, as described in Note 5.

**WEFS Television Station
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Notes to Financial Statements**

NOTE 3: OPERATING LEASES (Continued)

<i>Year ending June 30,</i>	
2017	\$ 73,440
2018	73,440
2019	73,440
2020	71,700
2021	63,000
2022 - 2026	252,000
2027 - 2031	330,750
2032 - 2036	330,750
2036	66,150
Total future minimum lease payments	\$ 1,334,670

Facility and equipment rent expense charged to operations for the years ended June 30, 2016 and 2015 was \$73,340 and \$62,406, respectively.

NOTE 4: COMPENSATED ABSENCES

Following is a summary of changes in compensated absences payable for the years ended June 30, 2016 and 2015.

Balance			Balance
June 30, 2015	Additions	Reductions	June 30, 2016
\$ 108,742	\$ 73,076	\$ 69,214	\$ 112,604
\$ 97,865	\$ 65,514	\$ 54,637	\$ 108,742

NOTE 5: ECONOMIC DEPENDENCY

During the years ended June 30, 2016 and 2015, WEFS received the following support, the loss of which could have a significant impact on WEFS's operations.

WEFS Television Station
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NOTE 5: ECONOMIC DEPENDENCY (Continued)

<i>Year ending June 30,</i>	2016	2015
State Department of Education	\$ 307,447	\$ 307,447
Corporation for Public Broadcasting grants	356,246	374,905

During the years ended June 30, 2016 and 2015, WEFS received the following additional support, considered in-kind contributions, the loss of which could have a significant impact on WEFS's operations.

<i>Year ending June 30,</i>	2016	2015
Eastern Florida State College	\$ 644,905	\$ 693,028
State Department of Education	42,642	33,104

NOTE 6: CONSORTIUM

On March 18, 2013, WEFS and the College entered into an agreement with Digital Convergence Alliance, Inc. ("DCA") which will enable the College to join nine other public broadcasting stations in Florida and the United States by forming a consortium that will build and share a joint master-control facility in Jacksonville, Florida. The College has agreed to pay an annual service fee of \$241,591 to DCA to be a part of the consortium. By joining the consortium, the College expects to save over \$100,000 annually and the College will be sheltered from the ongoing liability of capital equipment upgrades. The agreement is effective through March 17, 2018 with an automatic five year renewal until March 17, 2023.

NOTE 7: RETIREMENT PLAN

As a department organized within the College, employees of the Station participate in the Florida Retirement System ("System"). The System is a cost-sharing, multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida Division of Retirement, 2639-C North Monroe Street, Tallahassee, FL 32399-1560.



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NOTE 7: RETIREMENT PLAN (Continued)

Generally, membership is compulsory for all full-time and regular part-time employees. Employees are required to contribute 3.00%. Employer contribution rates as a percentage of payroll were 7.26% and 7.37% for the years ended June 30, 2016 and 2015, respectively. The amount of covered payroll for the years ended June 30, 2016 and 2015 was \$637,705 and \$640,845, respectively. The contribution requirements of the Station are determined based on actuarial rates established by State Statutes. The Station's contributions to the System for the years ended June 30, 2016 and 2015 were \$49,633 and \$60,574, respectively, and are equal to the required contributions for each year.

The College allocates pension liability to the Station based on the amount of Station employees enrolled in FRS. The amount allocated to the Station is immaterial to the financial statements and is not presented in this report.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' 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

To the Board of Trustees of
Eastern Florida State College

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 WEFS Television Station, a department of Eastern Florida State College, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the WEFS Television Station'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the WEFS Television Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the WEFS Television Station'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the WEFS Television Station'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 *Government 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.

Carly Riggs & Ingram, L.L.C.

Melbourne, Florida

November 21, 2016