

# WEFS

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

**FINANCIAL STATEMENTS**

**For the years ended June 30, 2018 and 2017**



**CRI** CARR  
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INGRAM

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**WEFS Television Station**  
**(A Department of Eastern Florida State College)**  
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**For the years ended June 30, 2018 and 2017**

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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 WEFS Television Station, a department of Eastern Florida State College, as of and for the years ended June 30, 2018 and 2017 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 WEFS Television Station, a department of Eastern Florida State College, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 6 through 14 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.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of 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 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, 2018 and 2017, 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 (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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018, on our consideration of WEFS Television Station's, a department of Eastern Florida State College, 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.

*Carly Riggs & Ingram, L.L.C.*

Melbourne, Florida

November 14, 2018

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## **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, 2018. 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.

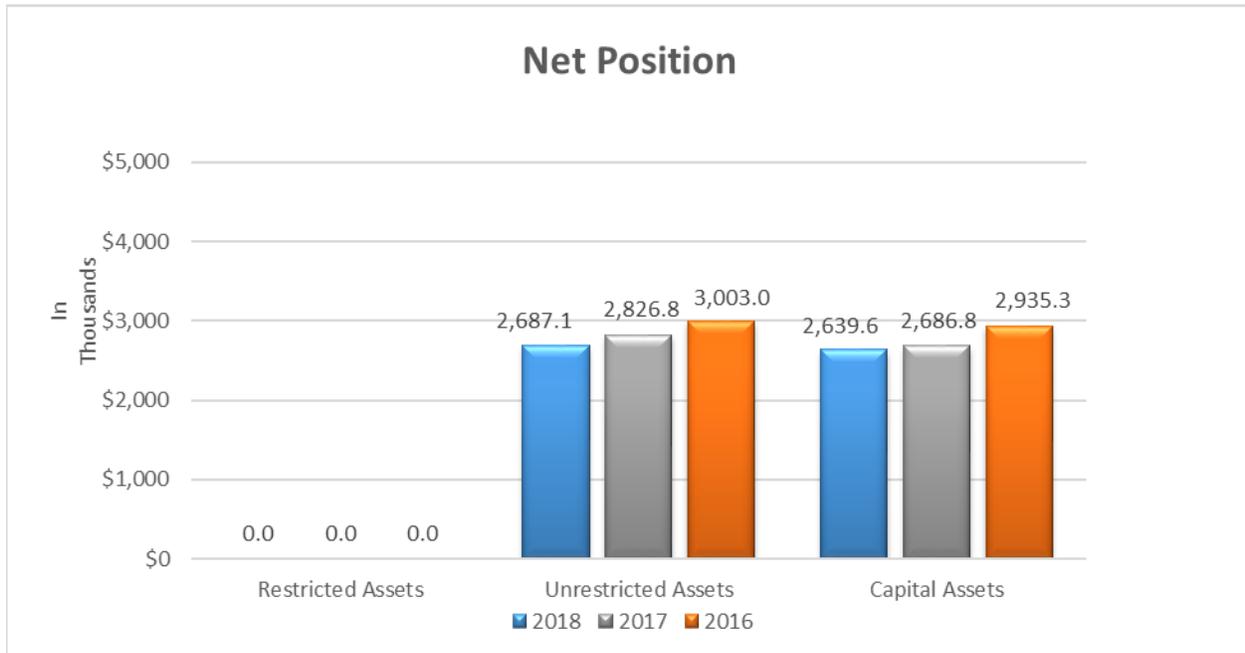
One of the most important questions asked about Station's finances is whether the Station as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The Station's Net Position are 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, 2018, as it had for the preceding two years. Its combined Net Position decreased \$186,860, or 3.4% for the fiscal year ended June 30, 2018. The decrease in Net Position over the past three years was primarily due to a culmination of all unrestricted operating activities during each fiscal year and normal depreciation of capital assets.

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

The Station's comparative total net position by category for the fiscal years ending June 30, 2018, 2017, and 2016, is shown in the following graph:



For the year ending June 30, 2018, the change in the Station's Net Position was comprised of a decrease in unrestricted Net Position by \$139,688 and decrease capital assets of \$47,172. For the year ending June 30, 2017, the change in the Station's Net Position was comprised of a decrease in unrestricted Net Position by \$176,196 and decrease capital assets of \$248,521. For the year ending June 30, 2016, the change in the Station's Net Position was comprised of a decrease in unrestricted Net Position by \$404,744 and decrease capital assets of \$277,736.

For the year ending June 30, 2018 and the preceding two years, the Unrestricted Net Position decreased as a result of a culmination of all unrestricted operating activities during each fiscal year.

For the year ending June 30, 2018 and the preceding two years, the Invested in Capital Assets decreased 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, 2018. 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.

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

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:

**EASTERN FLORIDA STATE COLLEGE WEFS**  
**CONDENSED STATEMENT NET POSITION**  
**AS OF JUNE 30,**

In Thousands	2018	2017	2016
<b>ASSETS</b>			
Current Assets	\$2,800.0	\$2,927.2	\$3,120.1
Capital Assets, net	2,639.6	2,686.8	2,935.3
<b>Total Assets</b>	<b>5,439.6</b>	<b>5,614.0</b>	<b>6,055.4</b>
<b>LIABILITIES</b>			
Current Liabilities	3.6	-	4.6
Other Revenues	109.3	100.4	112.6
<b>Total Liabilities</b>	<b>112.9</b>	<b>100.4</b>	<b>117.2</b>
<b>NET POSITION</b>			
Invested in Capital Assets	2,639.6	2,686.8	2,935.3
Restricted - Expendable	-	-	-
Unrestricted	2,687.1	2,826.8	3,003.0
<b>Net Position at End of Year</b>	<b>\$5,326.7</b>	<b>\$5,513.6</b>	<b>\$5,938.3</b>
Decrease in Net Position	(\$186.9)	(\$424.7)	

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

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 4.4% during fiscal year 2018, 5.6% during fiscal year 2017, and 11.7% during fiscal year 2016 as a result of operating expenses exceeding operating revenues for those years.

Accounts receivables include amounts due from activities for tower rental due from wireless carriers.

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 secured in fiscal year 2018 in the amount of \$211,830. This included the purchase of a Tiger Box Appliance for WEFS production editing, an Etcionxe Ion studio light board, and two Dell servers for the WEFS Compliance Recorder as well as assets transferred from other College departments including three video cameras and a Vinten head tilt pan for video production. Capital assets were purchased in fiscal year 2017 in the amount of \$8,824 for a Nielsen Watermarks Encoder for WEFS ratings. Capital assets were purchased in fiscal year 2016 in the amount of \$5,147 for a handheld video camera stabilization system. These purchases were offset by depreciation expense in 2018, 2017, and 2016 of \$259,002, \$257,345, and \$282,883, respectively.

Liabilities:

The Station's liabilities increased \$12,573 during the fiscal year 2018, decreased \$16,767 for fiscal year 2017, and increased \$6,001 for fiscal year 2016. The increase in fiscal year 2018 was mainly due to additional compensated absences earned and accrued accounts payable for electricity.

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.

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 investment earnings income and amounts that have been contractually committed for goods and services that have not been received.

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

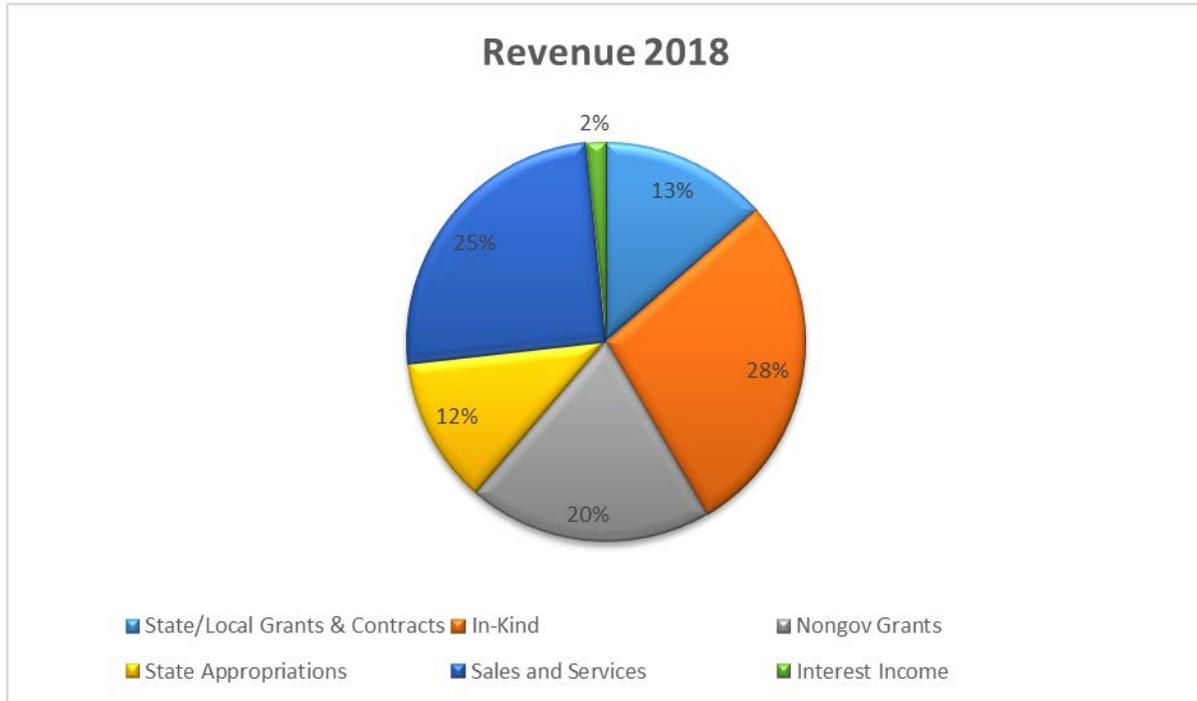
**Statement of Revenues, Expenses and Changes in Net Position:** The Statement of Revenues, Expenses and Changes in Net Position present the financial results of operations for the year. Activities are reported as either operating or non-operating. The financial reporting model classifies State appropriations 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, 2018, 2017 and 2016:

<b>EASTERN FLORIDA STATE COLLEGE WEFS CONDENSED STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, In Thousands</b>	2018	2017	2016
Operating Revenues	\$1,971.0	\$2,024.6	\$1,941.5
Operating Expenses	2,464.3	2,449.3	2,624.0
<b>Operating Loss</b>	(493.3)	(424.7)	(682.5)
Nonoperating Revenues	306.4	-	-
<b>Total Decrease in Net Position</b>	(186.9)	(424.7)	(682.5)
Net Position at Beginning of Year	5,513.6	5,938.3	6,620.8
<b>Net Position at End of Year</b>	<b>\$5,326.7</b>	<b>\$5,513.6</b>	<b>\$5,938.3</b>

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

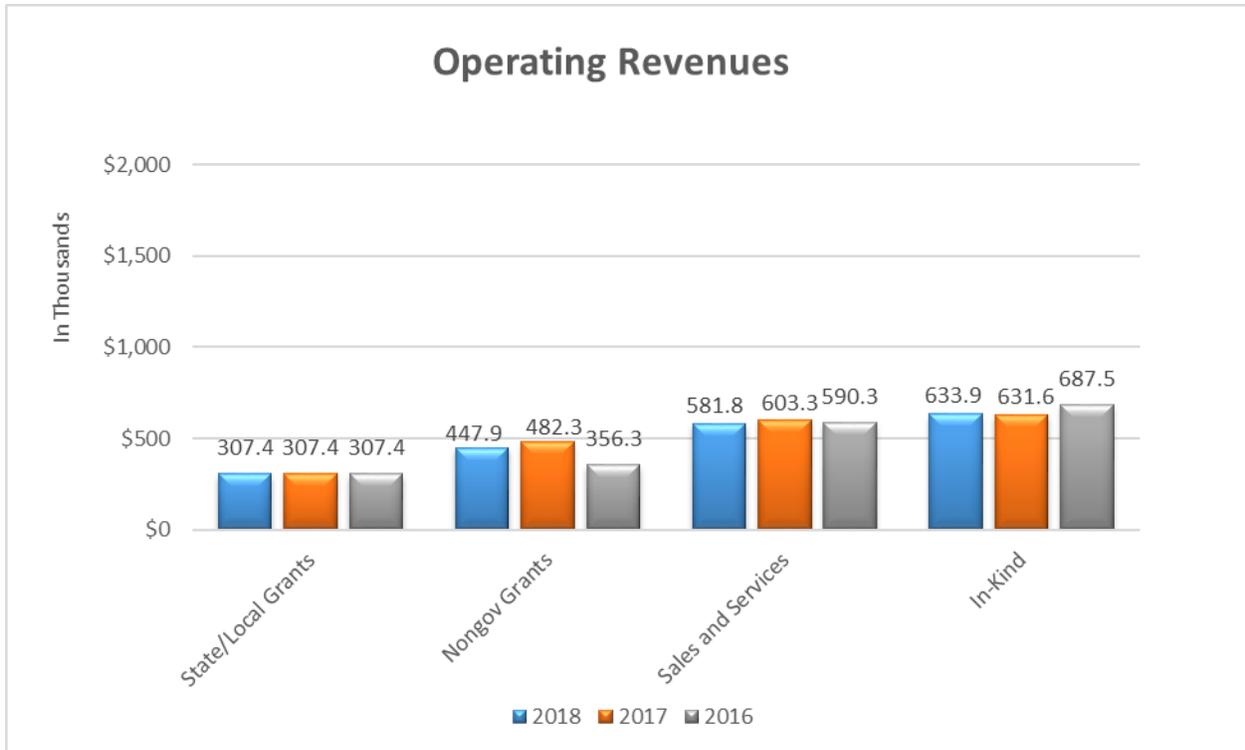
The following is the Station's revenues for 2018, including both operating and non-operating.



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, State Appropriations, and earnings from investments.

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

The following chart shows a comparison of revenues by category for fiscal years 2018, 2017 and 2016:



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

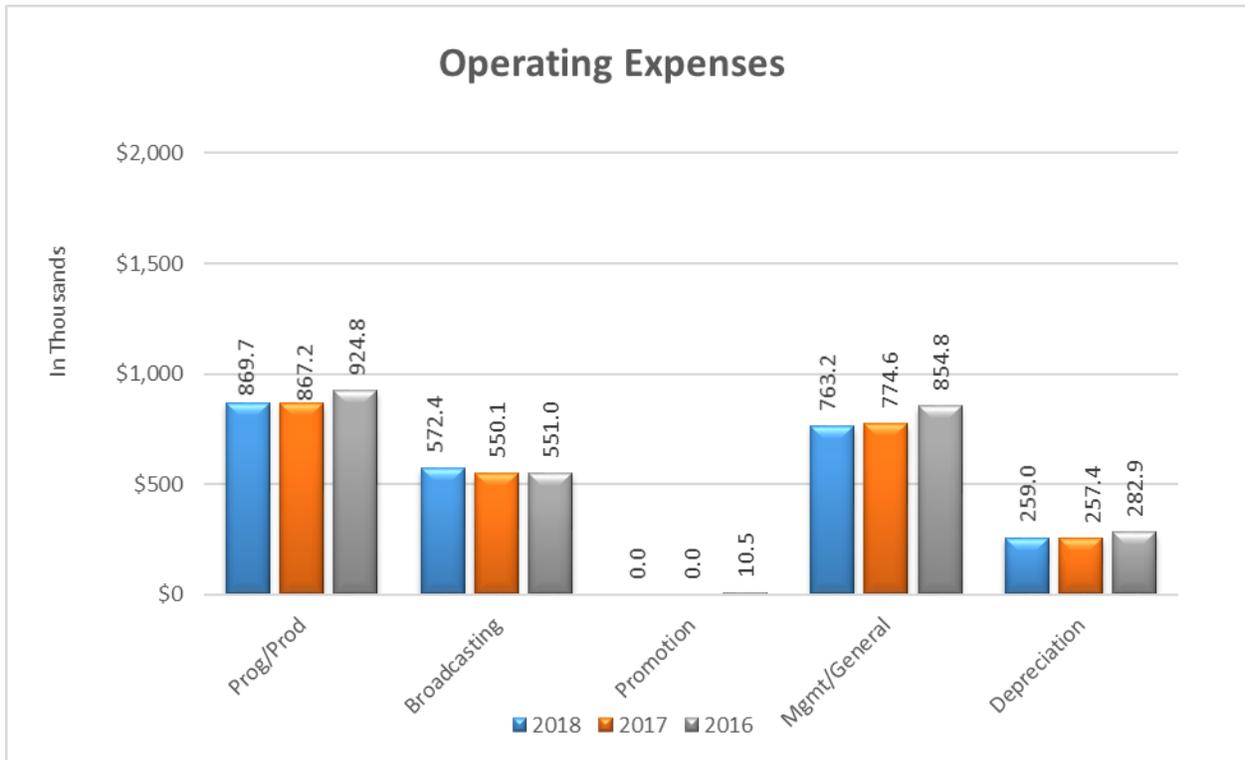
Nongovernmental grants and contracts include the Corporation for Public Broadcasting Television Community Service Grant, the Television Interconnect Grant, and the Universal Service Support Grant. Nongovernmental grants and contracts decreased by \$34,378 during fiscal year 2018, increased by \$126,013 during fiscal year 2017, and decreased by \$18,659 during fiscal year 2016 due to changes in funding by CPB.

Sales and Services include multi camera studio taping and production for college departments and local state agencies. Sales and Services decreased by \$21,470 for the fiscal year 2018, increased by \$12,944 and \$42,025 for the fiscal years 2017 and 2016, respectively. The decrease in 2018 was primarily due to not renewing the agreement to record the Orlando City Soccer games. The increases in 2017 and 2016 was due to contractual increases in annual lease payments and video recording of the Orlando City Soccer games.

In-Kind Contributions, which include support from Eastern Florida State College facility and administrative areas, increased by \$2,241 for the fiscal year 2018 and decreased by \$55,931 and \$35,585 for the fiscal years 2017 and 2016, respectively.

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

The Station's total operating expenses increased \$14,989 from the previous year. The following chart shows a comparison of expenses by category for fiscal years 2018, 2017, and 2016:



Programming and Production expense increased by \$2,469 from the previous year primarily due to the purchase of production equipment. For fiscal year 2017, programming and production expense decreased by \$57,576 primarily due to cost-saving initiatives by the Station. For fiscal year 2016, programming and production expense increased by \$39,919 for the production of Orlando City Soccer games.

Broadcasting expense increased by \$22,342 from the previous year primarily due to increases in electricity costs and operating expenses. For fiscal year 2017, broadcasting expense remained consistent with a slight decrease of \$966. For fiscal year 2016, broadcasting expense decreased by \$190,398 due to a reduction in personnel costs.

Promotion expense remained at \$0 for fiscal year 2018 as it had for fiscal year 2017 when it decreased by \$10,488 from the previous year due to staffing changes that resulted in the suspension of production of announcements to promote WEFS programming. Fiscal year 2016 was the only year with promotion expense.

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

Management and general expenses decreased by \$11,479, \$80,169, and \$21,985 in fiscal years 2018, 2017, and 2016, respectively due to the reduction of indirect support of the Station by the Florida Department of Education and Eastern Florida State College.

**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 is continuing the joint master control agreement to outsource our broadcasting master control functions. This increases the quality of the broadcasting service and is staffed twenty-four hours a day, which reduces broadcast interruption. With the new Dell servers and software, the Station is able to monitor any issues on programs, video, audio and delivery of station programming through on-air cable satellite for prompt corrections to ensure seamless broadcasts. The Station Manager continues to work to create and identify 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.

**Requests for Information**

Questions about this report or requests for additional financial information should be addressed to:

Eastern Florida State College  
1519 Clearlake Road  
Cocoa, FL 32922  
321-632-111

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

<i>June 30,</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,754,028	\$ 2,881,345
Accounts receivable	46,030	45,828
<b>Total current assets</b>	<b>2,800,058</b>	<b>2,927,173</b>
<b>Noncurrent assets</b>		
Capital assets, net	2,639,617	2,686,789
<b>Total noncurrent assets</b>	<b>2,639,617</b>	<b>2,686,789</b>
<b>Total assets</b>	<b>5,439,675</b>	<b>5,613,962</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	3,648	-
<b>Total current liabilities</b>	<b>3,648</b>	<b>-</b>
<b>Noncurrent liabilities</b>		
Compensated absences payable	109,338	100,413
<b>Total noncurrent liabilities</b>	<b>109,338</b>	<b>100,413</b>
<b>Total liabilities</b>	<b>112,986</b>	<b>100,413</b>
<b>NET POSITION</b>		
Invested in capital assets	2,639,617	2,686,789
Unrestricted	2,687,072	2,826,760
<b>Total net position</b>	<b>\$ 5,326,689</b>	<b>\$ 5,513,549</b>

*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,	2018	2017
<b>Operating revenues</b>		
State and local grants and contracts	\$ 307,447	\$ 307,447
Nongovernmental grants and contracts	447,881	482,259
Sales and services	581,788	603,258
In-kind contributions	633,857	631,616
<b>Total operating revenues</b>	<b>1,970,973</b>	<b>2,024,580</b>
<b>Operating expenses</b>		
Programming and production	869,707	867,238
Broadcasting	572,422	550,080
Management and general	763,155	774,634
Depreciation	259,002	257,345
<b>Total operating expenses</b>	<b>2,464,286</b>	<b>2,449,297</b>
<b>Operating loss</b>	<b>(493,313)</b>	<b>(424,717)</b>
<b>Nonoperating revenues</b>		
State appropriations	269,832	-
Investment income	36,621	-
<b>Total non-operating revenues</b>	<b>306,453</b>	<b>-</b>
<b>Changes in net position</b>	<b>(186,860)</b>	<b>(424,717)</b>
<b>Net position - beginning of year</b>	<b>5,513,549</b>	<b>5,938,266</b>
<b>Net position - end of year</b>	<b>\$ 5,326,689</b>	<b>\$ 5,513,549</b>

*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>	<b>2018</b>	2017
<b>Cash flows from operating activities</b>		
Grants and contracts	\$ 755,328	\$ 789,706
Sales and services	581,585	625,968
Payments to suppliers	(701,284)	(682,417)
Payments to employees	(857,569)	(894,687)
Net cash used in operating activities	<b>(221,940)</b>	(161,430)
<b>Cash flows from noncapital financing activities</b>		
State appropriations	269,832	-
Net cash provided by noncapital financing activities	<b>269,832</b>	-
<b>Cash flows from capital and related activities</b>		
Purchase of capital assets	(211,830)	(8,824)
Net cash used in capital and related activities	<b>(211,830)</b>	(8,824)
<b>Cash flows from investing activities</b>		
Investment income	36,621	-
Net cash provided by investing activities	<b>36,621</b>	-
<b>Net decrease in cash and cash equivalents</b>	<b>(127,317)</b>	(170,254)
<b>Cash and cash equivalents, beginning of year</b>	<b>2,881,345</b>	3,051,599
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,754,028</b>	\$ 2,881,345
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (493,313)	\$ (424,717)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	259,002	257,345
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(202)	22,709
(Decrease) increase in accounts payable	3,648	(4,576)
(Decrease) increase in compensated absences payable	8,925	(12,191)
Net cash used in operating activities	<b>\$ (221,940)</b>	\$ (161,430)

*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 is 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. Non-operating revenues include State appropriations.

***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 480 and 352 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, 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions/ Retirements	Balance June 30, 2018
Equipment	\$ 4,612,226	\$ 211,830	\$ (39,775)	\$ 4,784,281
Building	4,230,175	-	-	4,230,175
Total cost	8,842,401	211,830	(39,775)	9,014,456
Less accumulated depreciation:				
Equipment	(4,185,645)	(181,693)	39,775	(4,327,563)
Building	(1,969,967)	(77,309)	-	(2,047,276)
Total accumulated depreciation	(6,155,612)	(259,002)	39,775	(6,374,839)
Capital assets, net	\$ 2,686,789	\$ (47,172)	\$ -	\$ 2,639,617

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions/ Retirements	Balance June 30, 2017
Equipment	\$ 4,660,873	\$ 8,824	\$ (57,471)	\$ 4,612,226
Building	4,230,175	-	-	4,230,175
Total cost	8,891,048	8,824	(57,471)	8,842,401
Less accumulated depreciation:				
Equipment	(4,063,080)	(180,036)	57,471	(4,185,645)
Building	(1,892,658)	(77,309)	-	(1,969,967)
Total accumulated depreciation	(5,955,738)	(257,345)	57,471	(6,155,612)
Capital assets, net	\$ 2,935,310	\$ (248,521)	\$ -	\$ 2,686,789

Depreciation expense totaled \$259,002 and \$257,345 for years ending June 30, 2018 and 2017, 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 2028, with two options to renew for ten years per renewal.

**WEFS Television Station**  
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**Notes to Financial Statements**

**NOTE 3: OPERATING LEASES (Continued)**

WEFS received an initial payment of \$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 three other agreements with wireless providers that range from \$1,200 per month to \$2,941 per month with agreements lasting from the current fiscal year through 2032.

The future minimum income under these agreements is as follows:

<i>Year ending June 30,</i>	
2019	\$ 74,277
2020	75,115
2021	76,217
2022	76,842
2023	77,226
2024 - 2028	392,078
2029 - 2032	107,759
Total future minimum lease income	\$ 879,514

During the years ended June 30, 2018 and 2017, WEFS recorded lease revenue of \$580,788 and \$566,510, 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, 2018 and 2017 was \$63,200 and \$61,800, respectively. This amount is included in broadcasting expenses on 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 \$984.

**WEFS Television Station  
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Notes to Financial Statements**

**NOTE 3: OPERATING LEASES (Continued)**

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.

<i>Year ending June 30,</i>	
2019	\$ 74,808
2020	72,840
2021	63,000
2022	63,000
2023	63,000
2024 - 2028	324,450
2029 - 2033	330,750
2034 - 2035	132,300
2036	66,150
<b>Total future minimum lease payments</b>	<b>\$ 1,190,298</b>

Facility and equipment rent expense charged to operations for the years ended June 30, 2018 and 2017 was \$75,075 and \$73,368, respectively.

**NOTE 4: COMPENSATED ABSENCES**

Following is a summary of changes in compensated absences payable for the years ended June 30, 2018 and 2017.

Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
\$ 100,413	\$ 64,058	\$ 55,133	\$ 109,338

Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
\$ 112,604	\$ 79,027	\$ 91,218	\$ 100,413

**WEFS Television Station  
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Notes to Financial Statements**

**NOTE 5: ECONOMIC DEPENDENCY**

During the years ended June 30, 2018 and 2017, WEFS received the following support, the loss of which could have a significant impact on WEFS's operations.

<i>Year ending June 30,</i>	<b>2018</b>	<b>2017</b>
State Department of Education	\$ 307,447	\$ 307,447
Corporation for Public Broadcasting grants	447,881	482,259

During the years ended June 30, 2018 and 2017, 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>	<b>2018</b>	<b>2017</b>
Eastern Florida State College	\$ 612,856	\$ 608,531
State Department of Education	21,001	23,085

**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 direct support organization of the College, all regular employees of WEFS participate in the Florida Retirement System ("System"). The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

**WEFS Television Station  
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Notes to Financial Statements**

**NOTE 7: RETIREMENT PLAN (Continued)**

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

*Benefits Provided* – Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

The DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**WEFS Television Station  
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Notes to Financial Statements**

**NOTE 7: RETIREMENT PLAN (Continued)**

Contributions – The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. There are no required contributions by DROP participants. The employer’s contribution rates as of June 30, 2018 and 2017, were as follows:

2018	FRS	HIS
Regular class	6.26%	1.66%
DROP	11.60%	1.66%
2017	FRS	HIS
Regular class	5.86%	1.66%
DROP	11.33%	1.66%

The employer’s contributions to the FRS for the years ended June 30, 2018 and 2017 were \$38,697 and \$39,089, respectively. The employer’s contributions to the HIS for the year ended June 30, 2018 and 2017 were \$10,262 and \$11,073, respectively. The amount of covered payroll for College employees funded by the WEFS for the year ended June 30, 2018 and was \$618,168 and \$667,041, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018 and 2017, WEFS reported a liability of \$0 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability to be allocated to WEFS was not materially significant.

Actuarial Assumptions – The total pension liability for each of the defined benefit plans was measured as of June 30, 2017. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2017. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2016, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.10%	N/A
Discount rate	7.10%	3.58%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

**NOTE 7: RETIREMENT PLAN (Continued)**

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.85% to 3.58%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate (property)	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

*Discount Rate* – The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

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 WEFS Television Station, a department of Eastern Florida State College, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 WEFS Television Station's internal control. Accordingly, we do not express an opinion on the effectiveness of 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; 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 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 14, 2018