

WQPT-TV

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

Financial Report
June 30, 2014

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Independent Auditor's Report

To the Board of Trustees
Western Illinois University
Macomb, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise WQPT-TV's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial position of WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, as of June 30, 2014, and the 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 WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of Western Illinois University that is attributable to the transactions of WQPT-TV. They do not purport to, and do not, present fairly the financial position of Western Illinois University as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Other

As part of our audit of the 2014 basic financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 basic financial statements of WQPT-TV other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report for the year ended June 30, 2014, dated February 6, 2015, on our consideration of WQPT-TV's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of our audits performed in accordance with *Government Auditing Standards* in considering WQPT-TV's internal control over financial reporting and compliance.



Davenport, Iowa
February 6, 2015

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

Introduction

WQPT-TV, a public broadcasting station operated as a department of Western Illinois University, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2014 and 2013. WQPT-TV encourages readers to consider this information in conjunction with WQPT-TV's financial statements, which follow.

Overview of the Basic Financial Statements

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

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

Financial Highlights

For the year ended June 30, 2014, WQPT-TV recorded total operating revenues of \$1,346,053 and total operating expenses of \$1,875,166. The difference produced an operating loss of \$529,113. Nonoperating revenue of \$364,137 offset this loss and resulted in an overall decrease in net position of \$164,976.

Operating revenues accounted for 79% of WQPT-TV's total revenue. Operating revenues include community service broadcasting grants from the Corporation for Public Broadcasting (CPB) totaling \$663,860; viewer memberships totaling \$304,070 and contributions of \$185,464.

Nonoperating revenues accounted for the other 21% of WQPT-TV's total revenue and include donated support of \$200,180, grants for capital acquisitions of \$100,087 and investment earnings of \$19,269.

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Management's Discussion and Analysis

Operating expenses consisted of all program and support services, expenditures of donated administrative, occupancy and other support, and related depreciation expense. Program services accounted for 53% of WQPT-TV's total operating expenses. Program services include WQPT-TV's core activities of programming a public television service, producing local programming and other on-air and web content, engineering, educational services and community outreach, membership services, and related occupancy and depreciation expenses. Support services accounted for 47% of WQPT-TV's total operating expenses. Support services consisted of management and administrative costs, fundraising, and related occupancy and depreciation expenses.

Economic Factors

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

Support for Fiscal Year 2014 increased above Fiscal Year 2013 by \$40,409. This is a result of the University updating the formula for figuring station support. The Foundation included support they provide WQPT-TV and the University's physical plant use is now based on the percentage of the Quad City Campus where we are located rather than both campuses. Fiscal Year 2015 Indirect Support should increase again due to WQPT-TV moving to the Riverfront Campus and occupying more office space.

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

In Fiscal Year 2014, WQPT-TV received its annual grant in two parts, basic and operating. Each eligible Illinois Public Television station receives an equal award as the basic grant. The operating grant is awarded to eligible stations based on each station's respective percent of total operating costs for all stations. The awarded amount stayed even with Fiscal Year 2013. WQPT received a Special Project Grant in FY 14 for the creation of a Local Production called "Letters Home to Hero Street." All expenses for this project will be incurred in FY 15. Funding levels continue to be threatened and we plan on them decreasing in the future.

Federal — Corporation for Public Broadcasting (CPB): CPB's allocated funding to WQPT-TV increased \$90,634 from Fiscal Year 2013 levels. We are planning to continue increasing our NFFS and continue to grow our annual award.

Local Fundraising: WQPT-TV's membership revenue decreased by \$6,290 from 2013. This is due to poor results from pledge drives. We requested a study of our lapsed membership. The main reason found during this study is simply that our membership is getting older and is on either fixed incomes or have deceased.

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

Ownership and Management Factors

License Ownership and Operational Changes: WQPT-TV's license has been held by Western Illinois University since 2010. In November of 2013 we contracted with WQAD for Production facilities. Previously The Media Gateway was contracted to do this service.

Personnel expenses increased in 2014 when all employees were given a salary increase of 3.5%. Fringe benefits paid through University funding increased 45% to 64%.

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Management's Discussion and Analysis

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

Condensed Statement of Net Position

	June 30,	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 780,938	\$ 847,314
Capital assets, net	342,179	364,241
Other assets	521,868	477,519
Total assets	\$ 1,644,985	\$ 1,689,074
Current liabilities	\$ 436,904	\$ 316,017
Noncurrent liabilities	-	-
Total liabilities	436,904	316,017
Net position:		
Investment in capital assets	342,179	364,241
Unrestricted	865,902	1,008,816
Total net position	1,208,081	1,373,057
Total liabilities and net position	\$ 1,644,985	\$ 1,689,074

WQPT-TV had net position at the beginning of the 2014 totaling \$1,373,057. The net decrease in net position of \$164,976 brought the total of net position at the end of the year to \$1,208,081.

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Management's Discussion and Analysis

Condensed Statement of Revenue, Expenses and Changes in Net Position

	Year Ended June 30,	
	2014	2013
Revenue:		
Subscription and memberships	\$ 304,070	\$ 310,360
Grants and other	838,645	847,188
Contributions and in-kind support	203,338	157,380
Nonoperating revenues	364,137	189,718
Total revenue	1,710,190	1,504,646
Expenses:		
Program services	996,296	1,002,587
Support services	878,870	704,435
Total expenses	1,875,166	1,707,022
(Decrease) in net position	(164,976)	(202,376)
Net position:		
Beginning, as restated	1,373,057	1,575,433
Ending	\$ 1,208,081	\$ 1,373,057

Revenues increased \$205,544. Contributions and in-kind support increased \$45,958. Nonoperating revenue increased \$174,419.

Total expenses increased by \$168,144. The increases in salary and benefit costs were the main reasons for the increase with the increase in benefit costs and a general manager for an entire year.

Capital Assets

As of June 30, 2014, WQPT-TV had \$342,179 invested in capital assets, net of accumulated depreciation of \$3,063,755. Depreciation charges for fiscal year 2014 totaled \$127,100. More detailed information about WQPT-TV's capital assets is presented in Note 2 to the financial statements.

Requests for Information

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

WQPT-TV Public Broadcast Station
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Statement of Net Position
June 30, 2014

Assets	2014
Current Assets:	
Cash and cash equivalents	\$ 214,094
Amounts held by Western Illinois University Foundation	431,987
Receivables:	
Grants	108,444
Due from Western Illinois University Foundation	9,496
Other	16,917
Total current assets	<u>780,938</u>
Noncurrent Assets:	
Amounts held by Western Illinois University Foundation	512,642
Other Assets	9,226
Capital Assets, Equipment:	
Tower and earth receiving station	1,439,515
Studio and operating equipment	1,966,419
	<u>3,405,934</u>
Less accumulated depreciation	3,063,755
	<u>342,179</u>
Total noncurrent assets	<u>864,047</u>
	<u><u>\$ 1,644,985</u></u>
Liabilities and Net Position	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 38,622
Wages payable	51,555
Accrued vacation	66,098
Due to Western Illinois University	30,393
Unearned revenue	250,236
Total current liabilities	<u>436,904</u>
Net Position:	
Investment in capital assets	342,179
Unrestricted	865,902
	<u>1,208,081</u>
	<u><u>\$ 1,644,985</u></u>

See Notes to Basic Financial Statements.

WQPT-TV Public Broadcast Station
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Statement of Revenue, Expenses and Changes in Net Position
Year Ended June 30, 2014

	2014
Operating revenues:	
CPB - Community service grants	\$ 663,860
Contributions and special events, including in-kind donations for special events of \$89,609 and net of direct expenses of \$28,990	185,464
Subscription and membership income	304,070
Other operating grants	174,785
Donated gifts in kind	17,874
Total operating revenues	<u>1,346,053</u>
Operating expenses:	
Program services:	
Programming and production	438,389
Broadcasting	353,303
Programming information	204,604
Total program services	<u>996,296</u>
Support services:	
Management and general	532,416
Fundraising and membership development	346,454
Total support services	<u>878,870</u>
Total operating expenses	<u>1,875,166</u>
Operating (loss)	<u>(529,113)</u>
Nonoperating revenues (losses):	
Unrealized gains, net	44,241
Investment earnings	19,629
Grants for capital acquisitions	100,087
Donated facilities and administrative support	200,180
Nonoperating revenues	<u>364,137</u>
Change in net position	(164,976)
Net position:	
Beginning, as restated	1,373,057
Ending	<u>\$ 1,208,081</u>

See Notes to Basic Financial Statements.

WQPT-TV Public Broadcast Station
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Statement of Cash Flows
Year Ended June 30, 2014

	2014
Cash Flows from Operating Activities:	
Cash received from subscriptions and memberships	\$ 304,070
Cash received from community service grants	699,328
Cash received from other operating revenue	503,776
Cash paid to suppliers	(550,697)
Cash paid to employees	(849,837)
Net cash provided by operating activities	<u>106,640</u>
Cash Flows (Used in) Capital and Related Financing Activities, purchase of capital assets	<u>(105,038)</u>
Cash Flows Provided by Investing Activities, investment earnings	<u>19,629</u>
Net change in cash and cash equivalents	21,231
Cash and cash equivalents:	
Beginning	192,863
Ending	<u>\$ 214,094</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (529,113)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	127,100
Grants for capital acquisitions	100,087
Donated facilities and administrative support expenses	200,180
Investment earnings	19,629
Decrease in amounts held by others	122,952
(Increase) in receivables and other assets	(55,082)
Increase in accounts payable and accrued expenses	20,964
Increase in wages payable and accrued vacation	8,859
Increase in due to Western Illinois University	17,550
Increase in unearned revenue	73,514
Net cash provided by operating activities	<u>\$ 106,640</u>

See Notes to Basic Financial Statements.

**WQPT-TV Public Broadcast Station
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Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

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

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

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

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

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

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

Significant accounting policies:

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

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

Cash and cash equivalents: To better manage the resources of WQPT-TV, all of its cash and cash equivalents are accounted for on a pooled basis. Cash and cash equivalents at June 30, 2014 and 2013, represent WQPT-TV's share of the University's pooled cash and cash equivalents, which includes deposits and short-term investments with original maturities of three months or less. Refer to the notes of the basic financial statements of the University related to the risks associated with the University's pooled cash.

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Notes to Basic Financial Statements

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

Amounts held by others: WQPT-TV has elected to transfer certain grants and fundraising monies to Western Illinois University Foundation (Foundation) to pool with the Foundation's cash and investments to maximize WQPT-TV's investment return. The amounts held by the Foundation are included in the amounts held by others on the statements of net position. WQPT-TV's portion of investments held by the Foundation is reported at fair value based on quoted market prices. WQPT-TV recorded investment earnings based on an equitable distribution of investment returns of \$19,629 for the year ended June 30, 2014. It is the intent of the University and WQPT-TV to maintain the original corpus of the investments in the Foundation's pooled investments, allowing the income on the principal to be spent, which is withdrawn and allocated to WQPT-TV annually.

Receivables: Receivables include amounts due from the federal government and private grantors in connection with reimbursement of allowable expenditures made pursuant to WQPT-TV's grants and contract agreements. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history and the type of receivable. Management considers the receivables recorded at June 30, 2014, to be fully collectible.

Other assets: Other assets represent a fund in the name of WQPT-TV established at the Community Foundation of Great River Bend, by a contribution of \$10,000 made by the Station. The contribution is included in the Community Foundation investments and is reported at fair value based on quoted market prices. Distributions received are from the earnings and recorded as investment earnings.

Capital assets: Capital assets are recorded at cost on the date of acquisition, or at fair value in the case of gifts. Purchases of capital assets below \$5,000 are recorded as operating expenses. Depreciation on capital assets is computed on a straight-line method over the estimated useful lives of the assets, generally which range from 5 to 50 years.

Compensated absences: WQPT-TV employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as current liabilities. These liabilities have been computed based on rates of pay in effect as of June 30, 2014.

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

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

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Notes to Basic Financial Statements

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

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

Subsequent events: WQPT-TV has evaluated subsequent events through February 6, 2015, the date the financial statements were available to be issued. As of this date, there were no subsequent events requiring disclosures.

Note 2. Changes in Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	June 30, 2013	Additions	Deletions	June 30, 2014
Capital assets being depreciated:				
Equipment:				
Tower and earth receiving station	\$ 1,451,350	\$ -	\$ 11,835	\$ 1,439,515
Studio and operating equipment	1,861,381	105,038	-	1,966,419
Total capital assets being depreciated	3,312,731	105,038	11,835	3,405,934
Less accumulated depreciation for:				
Equipment:				
Tower and earth receiving station	1,218,383	57,985	11,835	1,264,533
Studio and operating equipment	1,730,107	69,115	-	1,799,222
Total accumulated depreciation	2,948,490	127,100	11,835	3,063,755
Total capital assets, net	\$ 364,241	\$ (22,062)	\$ -	\$ 342,179

Note 3. Lease Commitment and Rental Expense

WQPT-TV leases space at two communication towers under separate operating leases which expire August 2016 through March 2023. Total rent expense under these leases for the year ended June 30, 2014 was \$57,786.

Total rental commitments under these leases as of June 30, 2014 are as follows:

Year ending June 30:	
2015	\$ 58,049
2016	60,109
2017	48,231
2018	47,694
2019	50,079
2020 - 2023	205,683
	\$ 469,845

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Notes to Basic Financial Statements

Note 4. Risk Management

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

Note 5. Benefit Reimbursement Rate

WQPT-TV reimburses Western Illinois University for the benefits provided to WQPT-TV employees. The rate was 64% of total salaries for the year ended June 30, 2014, which covered health, dental, and life insurance benefits.

Note 6. Pension Plan

Plan description:

WQPT-TV employees are covered under Western Illinois University's pension plan. Western Illinois University contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing, multiple-employer defined benefit pension plan. SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.

SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the Illinois Compiled Statutes. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by accessing the website at www.SURS.org, or calling 1-800-275-7877.

Funding policy:

Plan members are required to contribute 8.0% of their annual covered salary. The current rate (for FY 2014) is 35.20% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the year ended June 30, 2014 were approximately \$45,000.

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Notes to Basic Financial Statements

Note 7. Postemployment Benefits

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

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

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

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

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

Notes to Basic Financial Statements

Note 8. New and Pending Pronouncements

The GASB has issued the following statements not yet implemented by WPQT-TV. The Statements which may impact WQPT-TV are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the Organization beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for WQPT-TV beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

Note 9. Restatement of Prior Year

Unrestricted net position as of June 30, 2013 has been increased by \$55,962 from what was previously reported. The restatement corrects revenue recognition for a grant received by WQPT-TV and the value of amounts held by the Foundation.

