

AN AUDIT

WHA Television

02-5

February 2002

2001-2002 Joint Legislative Audit Committee Members

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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February 27, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Mr. Jay L. Smith
President of the Board of Regents
University of Wisconsin
Madison, Wisconsin 53706

Dear Senator George, Representative Leibham, and Mr. Smith:

We have completed a financial audit of WHA Television, as requested by the University of Wisconsin-Extension to fulfill the audit requirements of the Corporation for Public Broadcasting. The Corporation requires audited financial statements of public broadcasting entities to determine future funding levels.

WHA Television is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. WHA Television received over \$14.8 million in support and revenue during fiscal year 2000-01, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains the financial statements and related notes for the period July 1, 2000 through June 30, 2001. We were able to issue an unqualified independent auditor's report on these statements.

We appreciate the courtesy and cooperation extended to us by University of Wisconsin-Extension staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Janice Mueller'.

Janice Mueller
State Auditor

JM/DA/ss

Independent Auditor's Report on the Financial Statements of WHA Television

We have audited the accompanying balance sheet of WHA Television as of June 30, 2001, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the management of WHA Television. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Friends of WHA-TV, Inc., which represent 16.3 percent of the assets and 20.4 percent of the support and revenues. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Friends of WHA-TV, Inc., is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Friends of WHA-TV, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only WHA Television and are not intended to present fairly the financial position of the State of Wisconsin, the results of its operations, and its cash flows in conformity with accounting principles generally accepted in the United States.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of WHA Television as of June 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 13, 2002, on our consideration of WHA Television's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU



by

Diann Allsen
Audit Director

February 13, 2002

WHA Television
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Balance Sheet
June 30, 2001

	Unrestricted Fund	Restricted Fund	Friends of WHA-TV, Inc.	Property Fund	Total June 30, 2001	Total June 30, 2000
Assets						
Current Assets:						
Cash and cash equivalents (Note 2)	\$ 0	\$ 0	\$ 112,485	\$ 0	\$ 112,485	\$ 763,821
Grants and contracts receivable	0	3,027,383	0	0	3,027,383	1,507,877
Accounts and interest receivable (net)	78,169	0	234,363	0	312,532	405,707
Accounts receivable—ECB (Note 8)	281,623	384,693	0	0	666,316	647,447
Contributions receivable	0	0	56,100	0	56,100	71,570
Interfund receivable (payable)	346,886	0	(346,886)	0	0	0
Prepaid expenses	61,489	0	12,812	0	74,301	136,772
Total Current Assets	<u>768,167</u>	<u>3,412,076</u>	<u>68,874</u>	<u>0</u>	<u>4,249,117</u>	<u>3,533,194</u>
Investments (Note 2)	<u>4,033,929</u>	<u>0</u>	<u>1,998,072</u>	<u>0</u>	<u>6,032,001</u>	<u>5,449,126</u>
Property and Equipment (Note 9):						
Production equipment	0	0	0	7,322,813	7,322,813	6,975,164
Transmission equipment	0	0	0	2,188,918	2,188,918	1,831,748
Furniture and fixtures	0	0	56,423	120,649	177,072	160,124
Vehicles	0	0	0	103,897	103,897	103,897
Total Property and Equipment	<u>0</u>	<u>0</u>	<u>56,423</u>	<u>9,736,277</u>	<u>9,792,700</u>	<u>9,070,933</u>
Less accumulated depreciation	<u>0</u>	<u>0</u>	<u>(56,423)</u>	<u>(7,348,132)</u>	<u>(7,404,555)</u>	<u>(6,784,490)</u>
Net Property and Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,388,145</u>	<u>2,388,145</u>	<u>2,286,443</u>
Total Assets	<u>\$ 4,802,096</u>	<u>\$ 3,412,076</u>	<u>\$ 2,066,946</u>	<u>\$ 2,388,145</u>	<u>\$ 12,669,263</u>	<u>\$ 11,268,763</u>
Liabilities and Fund Balances						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 670,470	\$ 66,115	\$ 104,502	\$ 0	\$ 841,087	\$ 750,412
Due to the University of Wisconsin System	627,864	756,537	0	0	1,384,401	913,172
Deferred support (Note 4)	0	2,589,424	37,722	0	2,627,146	1,147,029
Total Current Liabilities	<u>1,298,334</u>	<u>3,412,076</u>	<u>142,224</u>	<u>0</u>	<u>4,852,634</u>	<u>2,810,613</u>
Fund Balances						
Unrestricted (Note 7)	3,503,762	0	1,868,622	0	5,372,384	6,100,432
Temporarily restricted (Note 6)	0	0	56,100	0	56,100	71,570
Net investment in property and equipment	0	0	0	2,388,145	2,388,145	2,286,148
Total Fund Balances	<u>3,503,762</u>	<u>0</u>	<u>1,924,722</u>	<u>2,388,145</u>	<u>7,816,629</u>	<u>8,458,150</u>
Total Liabilities and Fund Balances	<u>\$ 4,802,096</u>	<u>\$ 3,412,076</u>	<u>\$ 2,066,946</u>	<u>\$ 2,388,145</u>	<u>\$ 12,669,263</u>	<u>\$ 11,268,763</u>

The accompanying notes are an integral part of this statement.

WHA Television
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Financial Activity
for the Year Ended June 30, 2001

	Unrestricted Fund	Restricted Fund	Friends of WHA-TV, Inc.	Property Fund	Total 2000-01	Total 1999-2000
Support and Revenue						
State General Appropriation	\$ 3,639,810	\$ 0	\$ 0	\$ 0	\$ 3,639,810	\$ 3,609,595
State Building Trust Funds	0	357,170	0	0	357,170	172,106
Donated Facilities and Administrative Support from the University of Wisconsin System (Note 3)	2,654,105	0	0	0	2,654,105	2,342,631
Community Service Grant—CPB	1,049,612	0	0	0	1,049,612	931,298
Other Grants and Contracts	0	2,120,761	0	0	2,120,761	1,931,357
Underwriting	610,305	0	0	0	610,305	450,894
Telecasting, Production, and Other Income	1,245,444	0	600,941	0	1,846,385	1,717,148
Membership Income	0	0	2,055,770	0	2,055,770	2,033,499
Auction Income	0	0	478,143	0	478,143	504,182
Investment Income	148,995	0	(96,099)	0	52,896	625,617
Total Support and Revenue	9,348,271	2,477,931	3,038,755	0	14,864,957	14,318,327
Expenses						
Program Services:						
Programming and production	6,664,362	1,541,599	86,422	509,885	8,802,268	7,850,395
Broadcasting	224,649	26,948	0	109,885	361,482	407,752
Program information	1,659,459	416,610	32,344	0	2,108,413	1,731,735
Total Program Services	8,548,470	1,985,157	118,766	619,770	11,272,163	9,989,882
Support Services:						
Management and general	2,659,994	16,280	75,827	0	2,752,101	2,774,232
Fund-raising and membership development	567,192	109,555	679,664	0	1,356,411	1,414,205
Underwriting	125,803	0	0	0	125,803	82,575
Total Support Services	3,352,989	125,835	755,491	0	4,234,315	4,271,012
Total Expenses	11,901,459	2,110,992	874,257	619,770	15,506,478	14,260,894
Excess (Deficiency) of Support and Revenues over Expenses	\$ (2,553,188)	\$ 366,939	\$ 2,164,498	\$ (619,770)	\$ (641,521)	\$ 57,433
Fund Balances						
Fund Balance at Beginning of Year	\$ 4,111,050	\$ 0	\$ 2,060,952	\$ 2,286,148	\$ 8,458,150	\$ 8,400,717
Excess (Deficiency) of Support and Revenues over Expenses	(2,553,188)	366,939	2,164,498	(619,770)	(641,521)	57,433
Interfund Transfer for Equipment Acquisition	(354,828)	(366,939)	0	721,767	0	0
Interfund Donation	2,300,728	0	(2,300,728)	0	0	0
Fund Balance at End of Year	\$ 3,503,762	\$ 0	\$ 1,924,722	\$ 2,388,145	\$ 7,816,629	\$ 8,458,150

The accompanying notes are an integral part of this statement.

WHA Television
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Cash Flows
for the Year Ended June 30, 2001

	Operating Funds	Friends of WHA-TV, Inc.	Property Fund	Total 2000-01	Total 1999-2000
Cash Flows from Operating Activities					
Excess (Deficiency) of Support and Revenues over Expenses	\$ (2,186,249)	\$ 2,164,498	\$ (619,770)	\$ (641,521)	\$ 57,433
Adjustments to Reconcile Excess Revenues over Expenses to Net Cash Provided by Operating Activities:					
Depreciation	0	295	619,770	620,065	331,757
Unrealized (gain) loss on investments	11,624	331,392	0	343,016	(154,028)
Realized (gain) loss on investments	(26,330)	50	0	(26,280)	(158,978)
Changes in Cash Due to:					
(Increase) decrease in grants and contracts receivable	(1,519,506)	0	0	(1,519,506)	(404,613)
(Increase) decrease in accounts and interest receivable	173,378	(80,203)	0	93,175	(63,959)
(Increase) decrease in accounts receivable—ECB	(18,869)	0	0	(18,869)	108,456
(Increase) decrease in contributions receivable	0	15,470	0	15,470	(11,926)
(Increase) decrease in due from the University of Wisconsin System	0	0	0	0	105,090
(Increase) decrease in interfund receivable	639,205	(639,205)	0	0	0
(Increase) decrease in prepaid expense	(8,150)	70,621	0	62,471	(75,236)
Increase (decrease) in accounts payable and accrued expenses	120,639	(29,964)	0	90,675	3,386
Increase (decrease) in due to the University of Wisconsin System	471,229	0	0	471,229	311,840
Increase (decrease) in deferred support	1,567,872	(87,755)	0	1,480,117	543,305
Net Cash Provided (Used) by Operating Activities	(775,157)	1,745,199	0	970,042	592,527
Cash Flows from Noncapital Financing Activities					
Interfund Donations	2,300,728	(2,300,728)	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	2,300,728	(2,300,728)	0	0	0
Cash Flows from Capital and Related Financing Activities					
Sale (Purchase) of Property and Equipment	0	0	(721,767)	(721,767)	(14,117)
Interfund Transfer for Equipment Acquisition	(721,767)	0	721,767	0	0
Net Cash (Used) by Capital and Related Financing Activities	(721,767)	0	0	(721,767)	(14,117)
Cash Flows from Investing Activities					
Proceeds from Sale of Long-term Investments	607,286	695,603	0	1,302,889	1,046,064
Purchase of Long-term Investments	(1,411,090)	(780,915)	0	(2,192,005)	(1,391,579)
Purchase of Short-term Investments	0	(10,495)	0	(10,495)	(8,891)
Net Cash (Used) by Investing Activities	(803,804)	(95,807)	0	(899,611)	(354,406)
Increase (Decrease) in Cash and Cash Equivalents	0	(651,336)	0	(651,336)	224,004
Cash and Cash Equivalents					
Beginning of Year	0	763,821	0	763,821	539,817
End of Year	\$ 0	\$ 112,485	\$ 0	\$ 112,485	\$ 763,821

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

- A. Organization - WHA Television is licensed to the Board of Regents of the University of Wisconsin System and is operated by the University of Wisconsin-Extension. The financial statements include the accounts of the Friends of WHA-TV, Inc. (the Friends). The Friends solicit funds in the name of, and with the approval of, WHA Television. Funds are distributed by the Friends to WHA Television in amounts determined by the Board of the Friends (of which the WHA Television Manager is a member). The timing and the purpose for which such distributions are to be used are controlled by the Friends. All significant inter-organization accounts and transactions have been eliminated.
- B. Basis of Presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, WHA Television follows the American Institute of Certified Public Accountants (AICPA) not-for-profit model, which includes the accounting and financial reporting principles contained in AICPA's Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements. In addition, the accompanying financial statements are prepared in conformity with the principles outlined in the Corporation for Public Broadcasting's (CPB's) *Principles of Accounting and Financial Reporting for Public Telecommunications Entities (1990 ed.)*, as amended by the *Supplemental Guide (1996 ed.)*.
- C. Fund Accounting - The assets, liabilities, and fund balances of WHA Television are reported in three fund groups, which use the flow of economic resources measurement focus and the accrual basis of accounting:
- Operating Funds—include restricted and unrestricted resources used to support WHA Television's operations.
 - Property Fund—includes the resources expended for property and equipment.

- The Friends Fund—includes resources restricted for use by that organization for the benefit of WHA Television.
- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of financial activity when WHA Television is entitled to them. Restricted revenues are recorded as support in the statement of financial activity when the purpose for which the resource was provided has been accomplished. Contributed membership fees of the Friends are non-refundable and are recorded as revenue in the year earned; pledged Friends contributions that are expected to be collected within one year are recorded as revenue at the net realizable value. There are no pledges due in greater than one year. Non-cash contributions are recognized as revenues in the period of receipt, according to guidance outlined in CPB's *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.
- E. Deferred Support - The unexpended portion of restricted grants is deferred to future periods and is reported as a liability on the balance sheet until the related expenses have been incurred.
- F. Due to (from) the University - Substantially all contributions and grant funds received by WHA Television are deposited with the University of Wisconsin System until the related expenses are incurred. In addition, expenses related to certain contributions and grants may be incurred by the University of Wisconsin System prior to receipt of funding from the granting agency. The receivable or payable that results is reflected in the balance sheet.
- G. Allocation of Functional Expenses - Expenses are shown in the functional categories contained in the statement of financial activity. Expenses that relate to more than one category are allocated to the respective categories, using estimates as necessary.
- H. Cash and Cash Equivalents - Cash and cash equivalents in WHA Television's unrestricted fund include cash balances deposited with the State Treasurer and shares in the State Investment Fund, a short-term investment pool of state and local funds. Cash and cash equivalents in the Friends fund include cash deposits with one financial institution.
- I. Valuation of Investments - All investments of WHA Television and the Friends are carried at fair value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value. As of June 30, 2001, the fair value of these pool shares was 99.81 percent of carrying value.

- J. Property and Equipment - Items classified as fixed assets are recorded at cost or, for donated property, at the estimated fair-market value at date of receipt. Assets are capitalized if their acquisition values are in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred. Construction in progress at June 30, 2001, which includes the costs incurred for the replacement and upgrade of the television tower for conversion to digital broadcasting, is included in the property and equipment balances.
- K. Employee Compensated Absences - Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System are also accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay.
- L. Prior-year Financial Statements - The financial information shown for fiscal year (FY) 1999-2000 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 2000-01.

2. Deposits and Investments

The cash balances of WHA Television's unrestricted fund are deposited with the State of Wisconsin Treasurer and are invested in the State Investment Fund, which is a short-term pool of state and local funds managed by the State of Wisconsin Investment Board, with oversight by its Board of Trustees and Wisconsin Statutes. The State Investment Fund is not registered with the Securities and Exchange Commission as an investment company.

The investment balances of WHA Television's unrestricted fund are deposited with the University of Wisconsin System and are invested in the University Trust Funds, which are intermediate-term and long-term investment pools of University of Wisconsin funds managed by the University of Wisconsin System, with oversight by its Board of Regents. The Trust Funds are not registered with the Securities and Exchange Commission as an investment company.

The Friends' cash and investment activities are managed separate from the cash and investment activities of the State Investment Fund and the University Trust Funds. A cash deposit balance is maintained at one financial institution. Investments consist of money market funds, fixed-income funds, and equity mutual funds.

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of credit risk assumed. These risk categories are: 1) insured or collateralized, with securities held by the entity or its agent in the entity's name; 2) collateralized, with securities held by the financial institution's trust department or agent in the entity's name; and 3) uninsured or uncollateralized.

WHA Television did not have a deposit with the State Investment Fund at June 30, 2001. Deposits up to \$100,000 maintained by the Friends are insured by the Federal Deposit Insurance Corporation. At June 30, 2001, \$100,000 of the bank balance was insured and, therefore, is classified in risk category 1; \$52,048 was uninsured and uncollateralized and, therefore, is classified in risk category 3.

- B. Investments - GASB Statement 3 requires investments to be categorized to indicate the level of risk assumed. These risk categories are: 1) insured or registered, or securities held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by a counterparty or its agent in the entity's name; and 3) uninsured or unregistered, or securities held by a counterparty or its agent, but not in the entity's name. All investments of WHA Television and the Friends are in pooled investment funds and, therefore, are not required to be categorized for credit risk under GASB Statement 3.

Detail for investment balances for WHA Television as of June 30, 2001, follows:

	<u>Fair Value</u>	<u>Cost</u>
Intermediate-term Pooled Bond Funds	\$2,388,140	\$2,314,030
Long-term Pooled Bond and Equity Funds	<u>1,645,789</u>	<u>1,531,515</u>
Total	<u>\$4,033,929</u>	<u>\$3,845,545</u>

Detail for investment balances for the Friends as of June 30, 2001, follows:

	<u>Fair Value</u>	<u>Cost</u>
Money Market Funds	\$ 219,340	\$ 219,340
Fixed-Income Funds	597,557	597,884
Equity Mutual Funds	<u>1,181,175</u>	<u>1,164,224</u>
Total	<u>\$1,998,072</u>	<u>\$1,981,448</u>

3. Donated Facilities and Administrative Support from the University of Wisconsin System

Donated facilities from the University of Wisconsin System consist of physical plant operating costs of \$512,866 and occupancy costs of \$264,172 for FY 2000-01. Such contributions are recorded at the University of Wisconsin System's cost of providing them. Administrative support from the University of Wisconsin System consists of allocated financial and administrative costs incurred by the University of Wisconsin System on behalf of WHA Television. Administrative support provided in FY 2000-01 totaled \$1,877,067.

4. Changes in Deferred Support

Beginning-of-Year Balance	\$1,147,029
(-) Prior-Year Earned	(1,157,321)
+ Additions	<u>2,637,438</u>
End-of-Year Balance	<u>\$2,627,146</u>

5. Employee Retirement Plan

Permanent and qualifying limited-term employees of WHA Television are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings; 2) years of creditable service; and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit.

The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information for the year ending December 31, 1999, may be obtained by writing to:

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

The separately issued financial report for the year ended December 31, 2000, will be available in early calendar year 2002.

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the Wisconsin Retirement System. Prior service costs are amortized over 40 years, beginning January 1, 1990. The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. WHA Television's contribution to the plan was \$474,829 for FY 2000-01. The relative position of WHA Television in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

6. Temporarily Restricted Fund Balance

During the year ended June 30, 1999, the Friends received an interest in a charitable remainder trust, which provides for the payment of distributions to the donor and the donor's spouse until their deaths. At the end of the trust's term, the remaining assets are available for the Friends' use. The present value of the estimated future benefits as of June 30, 2001, is \$56,100 and is calculated using a discount rate of 7 percent and applicable mortality rate tables. The change in the present value of the future benefits to be received by the Friends, a decline of \$15,470, is recorded in the telecasting, production, and other income account on the statement of activity.

7. Designation of Unrestricted Fund Balance

The management of the Friends has designated \$553,527 of the unrestricted fund balance that represents endowment funds for future program production and acquisition. In addition, \$50,000 of the unrestricted fund balance has been designated to the Fund for Wisconsin for future programming and production.

8. Related Entities

The Educational Communications Board Television Network is a public telecommunications entity operated by the Wisconsin Educational Communications Board (ECB). In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the University of Wisconsin Board of Regents developed partnerships called Wisconsin Public Television and Wisconsin Public Radio to manage and operate their licenses. The partnerships are maintained through an affiliation agreement outlining structural principles and functions, administrative staff allocations, stations (of both Wisconsin Public Television and Wisconsin Public Radio), and financial commitments of the partners. The Directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the University of Wisconsin Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from the affiliated parties are separately disclosed on the balance sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

9. Fixed Asset Lien

Federal grant funds received from National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years, during which time the federal government retains priority reversionary interest in the equipment. WHA Television received six NTIA capital equipment grants from FY 1991-92 through FY 2000-01. The depreciated value of equipment purchased with NTIA funds is \$142,067 as of June 30, 2001.

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of WHA Television as of and for the year ended June 30, 2001, and have issued our report thereon dated February 13, 2002. We did not audit the financial statements of the Friends of WHA-TV, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Friends of WHA-TV, Inc., is based solely upon the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Friends of WHA-TV, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States, but not in accordance with the additional requirements of *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether WHA Television's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered WHA Television's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This independent auditor's report is intended for the information and use of the University of Wisconsin Board of Regents, the University of Wisconsin-Extension, the Wisconsin Legislature's Joint Legislative Audit Committee, and the Corporation for Public Broadcasting. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

February 13, 2002

by



Diann Allsen
Audit Director