

AN AUDIT

*Wisconsin Educational
Communications Board
Television Network*

01-21

December 2001

2001-2002 Joint Legislative Audit Committee Members

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 20, 2001

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

Senator Gary R. George, Chairperson
Mr. Thomas Fletemeyer, Executive Director
Educational Communications Board
3319 West Beltline Highway
Madison, Wisconsin 53713

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

We have completed a financial audit of the State of Wisconsin Educational Communications Board Television Network to meet our audit requirements under s. 13.94, Wis. Stats., and as requested by the Educational Communications Board 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.

The Educational Communications Board, which is an agency of the State of Wisconsin, operates a television network of 5 stations, as well as a radio network of 12 FM stations and 1 AM station. The television network received \$10.3 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 Educational Communications Board 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 the Wisconsin Educational Communications Board Television Network

We have audited the accompanying balance sheet of the Wisconsin Educational Communications Board Television Network 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 Educational Communications Board's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Wisconsin Educational Communications Board Television Network 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Wisconsin Educational Communications Board Television Network as of June 30, 2001, and the results of its operations and the 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 December 14, 2001, on our consideration of the Wisconsin Educational Communications Board'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

December 14, 2001

by 
Diann Allsen
Audit Director

Wisconsin Educational Communications Board Television Network
Balance Sheet
June 30, 2001

	Unrestricted Fund	Restricted Fund	WPBF (Note 11)	Total June 30, 2001	Total June 30, 2000
Assets					
Current Assets:					
Cash and cash equivalents (Note 1)	\$ 688,163	\$ 0	\$ 575,131	\$ 1,263,294	\$ 1,143,718
Investments (Note 2)	0	0	2,192,088	2,192,088	2,596,687
Costs incurred for programs not yet broadcast (Note 1)	400,789	460,979	0	861,768	832,705
Receivable—State general appropriations	42,044	1,240,020	0	1,282,064	1,308,814
Grants and contracts receivable	0	0	3,657	3,657	0
Interfund receivable (payable) (Note 3)	257,064	(1,076)	(255,988)	0	0
Interest receivable	0	0	3,301	3,301	33,932
Accounts receivable—Instructional material	4,450	0	0	4,450	6,296
Other receivables	289,107	0	112,549	401,656	173,880
Inventory—Instructional material	109,970	0	0	109,970	112,890
Prepaid expenses	15,947	1,076	0	17,023	13,965
Total Current Assets	1,807,534	1,700,999	2,630,738	6,139,271	6,222,887
Noncurrent Assets:					
Receivable—State general appropriations	0	2,732,911	0	2,732,911	2,438,983
Equipment (Note 4)	7,609,977	0	0	7,609,977	8,146,923
Buildings (Note 4)	62,968	0	0	62,968	68,119
Land	57,416	0	0	57,416	57,416
Total Noncurrent Assets	7,730,361	2,732,911	0	10,463,272	10,711,441
Total Assets	\$ 9,537,895	\$ 4,433,910	\$ 2,630,738	\$ 16,602,543	\$ 16,934,328
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 450,418	\$ 593,828	\$ 20,508	\$ 1,064,754	\$ 1,002,522
Accrued liabilities to affiliates (Note 12)	76,263	0	310,493	386,756	580,735
Deferred revenue for programs not yet broadcast (Note 5)	0	460,979	0	460,979	515,625
Short-term note payable (Note 7)	0	185,847	0	185,847	53,052
Wisconsin general obligation bonds payable (Note 6)	0	460,345	0	460,345	493,656
Total Current Liabilities	526,681	1,700,999	331,001	2,558,681	2,645,590
Long-term Liabilities:					
Wisconsin general obligation bonds payable (Note 6)	0	2,732,911	0	2,732,911	2,438,983
Fund Balances:					
Designated for operations	1,280,853	0	1,575,791	2,856,644	2,951,105
Designated for endowment (Note 8)	0	0	723,946	723,946	626,192
Net investment in property and equipment	7,730,361	0	0	7,730,361	8,272,458
Total Fund Balances	9,011,214	0	2,299,737	11,310,951	11,849,755
Total Liabilities and Fund Balances	\$ 9,537,895	\$ 4,433,910	\$ 2,630,738	\$ 16,602,543	\$ 16,934,328

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Television Network
Statement of Financial Activity
for the Year Ended June 30, 2001

	Unrestricted Fund	Restricted Fund	WPBF (Note 11)	Total 2000-01	Total 1999-2000
Support and Revenue					
State General Appropriations	\$ 115,424	\$ 5,091,725	\$ 0	\$ 5,207,149	\$ 5,163,889
State Building Trust Funds	0	173,630	0	173,630	1,462,375
State Self-Insurance Funds	0	4,571	0	4,571	1,688
Contributions Undesignated	0	0	2,269,104	2,269,104	2,295,472
Community Services Grant—CPB	0	0	902,353	902,353	853,550
Underwriting Grants	0	0	306,533	306,533	312,394
Federal Grants	0	3,590	0	3,590	223,213
Other Grants	139,137	0	22,340	161,477	182,208
In-kind Donated Services (Note 9)	0	329,178	0	329,178	229,285
Major Gifts	0	0	26,004	26,004	60,384
Investment Income	0	0	(119,551)	(119,551)	345,251
Sale of Instructional Material	63,072	0	0	63,072	87,581
Royalties and Other Income	601,313	0	378,052	979,365	1,008,840
Total Support and Revenue	<u>918,946</u>	<u>5,602,694</u>	<u>3,784,835</u>	<u>10,306,475</u>	<u>12,226,130</u>
Expenses					
Program Services:					
Programming and production	2,443,453	2,176,878	126,705	4,747,036	4,972,561
Broadcasting	1,765,120	2,139,877	(6,400)	3,898,597	3,768,532
Program information	77,935	790	59,063	137,788	241,721
Total Program Services	<u>4,286,508</u>	<u>4,317,545</u>	<u>179,368</u>	<u>8,783,421</u>	<u>8,982,814</u>
Support Services:					
Management and general	53,595	1,041,116	53,646	1,148,357	1,235,930
Fund-raising and membership development	219,046	5,580	506,174	730,800	1,102,083
Underwriting	54,762	1,395	126,544	182,701	165,700
Total Support Services	<u>327,403</u>	<u>1,048,091</u>	<u>686,364</u>	<u>2,061,858</u>	<u>2,503,713</u>
Total Expenses	<u>4,613,911</u>	<u>5,365,636</u>	<u>865,732</u>	<u>10,845,279</u>	<u>11,486,527</u>
Excess (Deficiency) of Support and Revenue Over Expenses	<u>\$ (3,694,965)</u>	<u>\$ 237,058</u>	<u>\$ 2,919,103</u>	<u>\$ (538,804)</u>	<u>\$ 739,603</u>
Fund Balances					
Beginning Fund Balances	\$ 8,944,576	\$ 238	\$ 2,904,941	\$ 11,849,755	\$ 11,110,152
Excess (Deficiency) of Support and Revenue Over Expenses	(3,694,965)	237,058	2,919,103	(538,804)	739,603
Interfund Donation (Note 3)	3,761,603	(237,296)	(3,524,307)	0	0
Fund Balances at End of Year	<u>\$ 9,011,214</u>	<u>\$ 0</u>	<u>\$ 2,299,737</u>	<u>\$ 11,310,951</u>	<u>\$ 11,849,755</u>

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Television Network
Statement of Cash Flows
for the Year Ended June 30, 2001

	Operating Funds	WPBF (Note 11)	Total 2000-01	Total 1999-2000
Cash Flows from Operating Activities				
Excess (Deficiency) of Support and Revenues Over Expenses	\$ (3,457,907)	\$ 2,919,103	\$ (538,804)	\$ 739,603
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Unrealized (gain) loss on investments	0	253,108	253,108	(143,188)
Realized (gain) loss on investments	0	(57,947)	(57,947)	(55,194)
Depreciation	859,572	0	859,572	869,252
Loss on disposal of fixed assets	48,538	0	48,538	12,610
Decrease (increase) in costs incurred for programs not yet broadcast	(29,063)	0	(29,063)	(26,317)
Decrease (increase) in receivable—State general appropriations	26,750	0	26,750	(225,447)
Decrease (increase) in grants and contracts receivable	0	(3,657)	(3,657)	2,920
Decrease (increase) in interest receivable	0	30,631	30,631	(28,050)
Decrease (increase) in accounts receivable—Instructional material	1,846	0	1,846	(5,789)
Decrease (increase) in other receivables	(205,031)	(22,745)	(227,776)	(34,490)
Decrease (increase) in inventory—Instructional material	2,920	0	2,920	2,230
Decrease (increase) in prepaid expenses	(3,058)	0	(3,058)	40,384
Increase (decrease) in accounts payable and accrued expenses	162,019	(99,787)	62,232	192,461
Increase (decrease) in accrued liabilities to affiliates	(162,524)	(31,455)	(193,979)	33,887
Increase (decrease) in deferred revenue for programs not yet broadcast	(54,646)	0	(54,646)	44,626
Increase (decrease) in deferred support	0	0	0	(229)
Increase (decrease) in interfund receivable	129,192	(129,192)	0	0
Net Cash Provided (Used) by Operating Activities	<u>(2,681,392)</u>	<u>2,858,059</u>	<u>176,667</u>	<u>1,419,269</u>
Cash Flows from Noncapital Financing Activities				
Interfund Donations	3,524,307	(3,524,307)	0	0
Cash Flows from Capital and Related Financing Activities				
Purchase of Property and Equipment	(366,013)	0	(366,013)	(1,717,548)
Increase (Decrease) in Capital Lease Payable	0	0	0	(15,481)
Increase (Decrease) in Notes Payable	132,795	0	132,795	(2,866)
Increase (Decrease) in Wisconsin General Obligation Bonds Payable	(33,311)	0	(33,311)	(152,392)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(266,529)</u>	<u>0</u>	<u>(266,529)</u>	<u>(1,888,287)</u>
Cash Flows from Investing Activities				
Net Proceeds from Sale, Maturity, and (Purchase) of Investments	0	209,438	209,438	95,004
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>209,438</u>	<u>209,438</u>	<u>95,004</u>
Increase (Decrease) in Cash and Cash Equivalents	576,386	(456,810)	119,576	(374,014)
Cash and Equivalents				
Beginning of Year	111,777	1,031,941	1,143,718	1,517,732
End of Year	<u>\$ 688,163</u>	<u>\$ 575,131</u>	<u>\$ 1,263,294</u>	<u>\$ 1,143,718</u>

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

- A. Organization - The Educational Communications Board (ECB), an agency of the State of Wisconsin, operates a television network consisting of five television stations. ECB also operates a network of 13 public radio stations. These financial statements include the accounts relating to the ECB Television Network. Separate accounts for the radio and television networks are maintained by direct charging whenever possible. All general organization transactions are distributed by an appropriate allocation system.

Television Network financial statements are combined with the accounts of the Wisconsin Public Broadcasting Foundation (WPBF), a not-for-profit corporation that solicits funds in the name of and with the express approval of ECB and provides support to the ECB radio and television networks. See Note 11 for further information related to WPBF.

- B. Basis of Presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, ECB Television Network 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 presented 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 the ECB Television Network are reported in one self-balancing fund group. Operating funds include unrestricted, restricted, and WPBF resources that are available for support of the ECB Television Network's operations. The funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting.
- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of financial activity when ECB 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. Pledges for contributions or membership fees are recorded as income when the cash is received. 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. Costs Incurred for Programs Not Yet Broadcast - Costs incurred for programs not yet broadcast relate to programs produced or acquired by the ECB Television Network that will be broadcast subsequent to the fiscal year-end. These programs are funded with restricted and unrestricted sources of support. Restricted revenue related to these programs is deferred. As the programs are broadcast, the costs incurred and related deferred revenue are recognized in the statement of financial activity.
- F. Receivable—State of Wisconsin General Appropriations - The portion of liabilities to be financed with amounts appropriated by the State of Wisconsin is reported as a receivable as of the fiscal year-end.
- G. Allocation of Functional Expenses - Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.
- H. Cash and Cash Equivalents - Cash and cash equivalents in the Television Network's unrestricted and restricted funds 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 WPBF fund include cash deposits with financial institutions.
- I. Valuation of Investments - All investments of WPBF related to the Television Network 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 permanent property are recorded at cost or, for donated property, at the estimated fair-market value at the date of receipt. Assets are capitalized if their acquisition value is in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 to 20 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.
- 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 ECB's unrestricted and restricted funds are deposited with the State of Wisconsin Treasurer and invested in the State Investment Fund, which is a short-term investment 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.

WPBF manages its cash and investment activities separate from the cash and investment activities of the State Investment Fund. Cash balances are held in demand deposit and money market accounts at financial institutions. The investments of WPBF relating to the ECB Television Network are managed by private trust companies. Interest earnings are income to WPBF and are not transferred to the State of Wisconsin.

- 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 by 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.

At year-end, the carrying amount of ECB's Television Network deposits with financial institutions was \$575,131, and the bank balance was \$1,137,019. Deposits of up to \$100,000 at each institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$100,000 was insured and is, therefore, classified in risk category 1; \$1,037,019 was uninsured and uncollateralized and, therefore, classified in risk category 3.

- B. Investments - Beginning with FY 2000-01, WPBF's Board of Trustees amended the long-term investment policy to provide for 100 percent investment in equities. Investments held by WPBF include publicly traded stocks and equity mutual funds. GASB Statement 3 requires investments to be categorized to indicate the level of risk assumed by the State at year-end. The risk categories for investments are: 1) insured or registered, or the securities are held by the entity or its agent in the entity's name; 2) uninsured and unregistered, with securities held by counterparty or its agent in the entity's name; and 3) uninsured and unregistered, or the securities are held by counterparty or its agent, but not in the entity's name. With the exception of funds invested in open-end mutual funds and the State Investment Fund, which are not required to be categorized, all investments meet the criterion for risk category 1. Detail for investment balances as of June 30, 2001, follows:

	<u>Fair Value</u>	<u>Cost</u>
Equity Securities	\$1,702,347	\$1,641,434
Equity Mutual Funds	<u>489,741</u>	<u>472,849</u>
Total	<u>\$2,192,088</u>	<u>\$2,114,283</u>

3. Fund Transfers

WPBF transfers funds to ECB's restricted and unrestricted funds monthly, based on funding requirements. The timing of those transfers and the expenses from unrestricted and restricted funds result in interfund payables and receivables at year-end.

ECB transfers funds between the restricted and unrestricted funds on a periodic basis within interfund donations.

4. Fixed Assets

Permanent property values are reported net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 years for computer equipment to 20 years for buildings and towers. The accumulated depreciation on June 30, 2001, was \$7,945,681 for equipment and \$51,510 for buildings.

Federal grant funds received from National Telecommunications and Information Administration (NTIA) to purchase equipment contains 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. ECB has five NTIA capital equipment grants received between FY 1990-91 and FY 1998-99. Depreciated value of equipment purchased with NTIA funds in \$656,970.

5. Changes in Deferred Support and Revenues

	<u>Deferred Revenue for Programs Not Yet Broadcast</u>
Beginning Balance	\$ 515,625
(-) Prior-Year Earned	(174,362)
(+) Additions	<u>119,716</u>
Year-end Balance	<u>\$ 460,979</u>

6. Long-Term Debt

ECB reported as a liability the proceeds received from a number of State of Wisconsin general obligation bonds used to finance the acquisition, construction, development, enlargement, or improvement of facilities operated by ECB. The repayment of this indebtedness is financed through an annual appropriation of general purpose revenue. The interest expense of \$200,888 is included in the restricted broadcasting expenses on the statement of financial activity. Since the amount of the bond proceeds was included as support in the year facilities were acquired, the amount provided through the FY 2000-01 appropriation for the principal repayment of \$514,324 is not included. The changes in the long-term liability are as follows:

General Obligation Bonds Payable as of June 30, 2000	\$2,438,983
Bond Refunding	(20,669)
New Issuances	774,942
Reclassified as Current—Bonds Payable	<u>(460,345)</u>
General Obligation Bonds Payable as of June 30, 2001	<u>\$2,732,911</u>

As of June 30, 2001, debt service requirements for principal and interest in future years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2002	\$ 460,345	\$ 173,626	\$ 633,971
2003	462,332	146,786	609,118
2004	204,364	121,768	326,132
2005	211,963	110,912	322,875
2006	183,185	99,271	282,456
Thereafter	<u>1,671,067</u>	<u>597,556</u>	<u>2,268,623</u>
Total	<u>\$3,193,256</u>	<u>\$1,249,919</u>	<u>\$4,443,175</u>

7. Short-Term Note Payable

ECB received proceeds from state-issued general obligation commercial paper notes, which are used for the same purposes as general obligation bonds as described in Note 6, during FY 1997-98, FY 1998-99, and FY 2000-01. The notes were authorized and issued in anticipation of revenue or bond financing. Through FY 2000-01, there were four separate issues:

<u>Year of Issue</u>	<u>Issue Series</u>	<u>Amount</u>
1997	Series A	\$ 24,999
1998	Series B	4,848
2001	Series EMOOB1	84,000
2001	Series EMOOC	<u>72,000</u>
Total		<u>\$185,847</u>

As of June 30, 2001, these notes had not been refinanced. Since they do not meet long-term financing criteria, they must be classified as short-term fund liabilities.

8. Endowment

The management of WPBF established an endowment during FY 1992-93. None of the assets in the endowment at June 30, 2001 are donor restricted.

9. Restricted Revenue

The principal restricted resources for the ECB Television Network are:

- A. State of Wisconsin General Appropriations - ECB receives six separate appropriations from the State of Wisconsin General Fund. These appropriations are restricted in use as follows: 1) payment of utilities, fuel, heating, and cooling; 2) repayment of principal and interest costs incurred in financing the acquisition, construction, development, enlargement, or improvement of facilities operated by ECB; 3) payment of programming-related costs; 4) payment of broadcast delivery, administration, and other costs incurred to carry out ECB functions; 5) payment to Milwaukee Area Technical College for support of public television; and 6) payment to public education entities for Distance Education projects.

Appropriated funds are reported only to the extent expended. As explained in Note 6, funds provided for the repayment of principal on bonds are not reported as revenue in the statement of financial activity, since proceeds from the bond issues were reported in the period the funds were expended.

- B. State of Wisconsin Building Trust Fund Appropriation - The amounts provided from the State of Wisconsin Building Trust Fund to finance ECB projects approved by the State Building Commission are recorded as revenue in the period expenses are incurred.
- C. Grants - Funds received from grantors that are designated for a specific purpose are classified as restricted.
- D. Donated Services - The financial statements include \$72,241 in donated professional services, \$20,697 in donated general operational services, and \$236,240 in donated instructional television services. These contributions are

recognized as revenues and expenses in the period received and used. Donated professional services are recorded at the fee typically charged by the professional for the same type of service. All other donated services are recorded at fair value, when clearly measurable, or at the cost of providing the service.

10. Employee Retirement Plan

Permanent employees of the ECB Television Network 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. The ECB Television Network's contribution to the plan was \$350,329 for FY 2000-01. The relative position of the ECB Television Network in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

11. Wisconsin Public Broadcasting Foundation, Inc. (WPBF)

The accounts of the ECB Television Network are combined with the accounts of WPBF, a not-for-profit corporation that solicits funds in the name of, and with the approval of, ECB. A summary of significant financial data relating to WPBF, which includes radio, television, and other non-broadcasting activities of WPBF, follows:

	Fiscal Year Ended <u>June 30, 2001</u>
Revenue	\$8,105,973
Expense	<u>(1,849,740)</u>
Excess Revenue Over Expense	<u>\$6,256,233</u>
	 <u>June 30, 2001</u>
Cash and Investments	\$4,994,010
Other Current Assets	280,432
Liabilities	<u>(784,612)</u>
Net Assets	<u>\$4,489,830</u>

12. Related Entities

WHA Television is a public telecommunications entity operated by the University of Wisconsin (UW)-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW 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 Radio and Wisconsin Public Television), and financial commitments of the partners. The Directors of Wisconsin Public Television and Wisconsin Public Radio are jointly appointed by ECB and the UW Board of Regents. Staff and resources from both agencies work together to provide administrative and program services. Amounts due to or from affiliated parties are separately disclosed on the balance sheet. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

13. Prior-Period Correction

FY 1999-2000 financial data, presented for comparative purposes, have been restated to accrue prior-year revenues to ECB Television that had been omitted and to properly allocate a prior-year compensated absence liability between ECB Television and Radio. The net effect of the prior-period corrections is to increase the unrestricted fund balance at June 30, 2000, by \$72,952.

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 the Wisconsin Educational Communications Board Television Network as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the Educational Communications Board Television Network's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 the Educational Communications Board'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 operation that we consider to be material weaknesses.

During our prior audit, we noted concerns with the Educational Communications Board's accounting treatment of WHA refunds of expenditures, WHA receivables, past-due receivables, and the absence of disaster recovery and business resumption plans. During our current audit, we found the Educational Communications Board is taking appropriate steps to address these issues.

This independent auditor's report is intended for the information and use of the Educational Communications Board, 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

December 14, 2001

by 
Diann Allsen
Audit Director

