

AN AUDIT

*Wisconsin Educational  
Communications Board  
Radio Network*

*01-20*

*December 2001*

**2001-2002 Joint Legislative Audit Committee Members**

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## CONTENTS

<b>Letter of Transmittal</b>	1
<b>Independent Auditor's Report on the Financial Statements of the Wisconsin Educational Communications Board Radio Network</b>	3
<b>Financial Statements</b>	
Statement 1 - Balance Sheet as of June 30, 2001	5
Statement 2 - Statement of Financial Activity for the Year Ended June 30, 2001	6
Statement 3 - Statement of Cash Flows for the Year Ended June 30, 2001	7
<b>Notes to the Financial Statements</b>	9
<b>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</b>	19

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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 Radio 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 radio network of 12 FM stations and 1 AM station, as well as a television network of 5 stations. The radio network received \$6.8 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 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



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## Independent Auditor's Report on the Financial Statements of the Wisconsin Educational Communications Board Radio Network

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We have audited the accompanying balance sheet of the Wisconsin Educational Communications Board Radio 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 did not audit the financial statements of the Wisconsin Public Radio Association, of which net assets of \$157,855 are contractually committed to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 10. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 2.2 percent of the total assets and 48.0 percent of total support and revenue. The financial statements of the Wisconsin Public Radio Association 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 Wisconsin Public Radio Association, 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. 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 Wisconsin Public Radio Association 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 the Wisconsin Educational Communications Board Radio 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, 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 the Wisconsin Educational Communications Board Radio Network 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 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 Radio Network**  
**Balance Sheet**  
June 30, 2001

<b>Assets</b>	Unrestricted Fund	Restricted Fund	WPBF (Note 9)	Total June 30, 2001	Total June 30, 2000
<b>Current Assets:</b>					
Cash and cash equivalents (Note 1)	\$ 214,398	\$ 983	\$ 492,224	\$ 707,605	\$ 735,311
Investments (Note 2)	0	0	1,734,567	1,734,567	1,762,930
Equity in resources held by WPRA (Note 10)	0	0	157,855	157,855	11,190
Receivable—State general appropriations	243,006	432,280	0	675,286	666,917
Interfund receivable (payable) (Note 3)	12,983	(983)	(12,000)	0	0
Interest receivable	0	0	3,070	3,070	13,982
Other receivables	9,380	0	0	9,380	505,320
Total Current Assets	<u>479,767</u>	<u>432,280</u>	<u>2,375,716</u>	<u>3,287,763</u>	<u>3,695,650</u>
<b>Noncurrent Assets:</b>					
Receivable—State general appropriations	0	1,474,463	0	1,474,463	1,097,694
Equipment (Note 4)	2,421,218	0	0	2,421,218	2,361,973
Buildings (Note 4)	41,978	0	0	41,978	45,412
Land	68,845	0	0	68,845	68,845
Total Noncurrent Assets	<u>2,532,041</u>	<u>1,474,463</u>	<u>0</u>	<u>4,006,504</u>	<u>3,573,924</u>
<b>Total Assets</b>	<u><u>\$ 3,011,808</u></u>	<u><u>\$ 1,906,743</u></u>	<u><u>\$ 2,375,716</u></u>	<u><u>\$ 7,294,267</u></u>	<u><u>\$ 7,269,574</u></u>
<b>Liabilities and Fund Balances</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 81,054	\$ 163,826	\$ 2,576	\$ 247,456	\$ 303,347
Accrued liabilities due to affiliate (Note 10)	691,214	0	183,047	874,261	1,362,738
Short-term note payable (Note 6)	0	135,422	0	135,422	55,688
Wisconsin general obligation bonds payable (Note 5)	0	133,032	0	133,032	147,435
Total Current Liabilities	<u>772,268</u>	<u>432,280</u>	<u>185,623</u>	<u>1,390,171</u>	<u>1,869,208</u>
<b>Long-term Liabilities:</b>					
Wisconsin general obligation bonds payable (Note 5)	0	1,474,463	0	1,474,463	1,097,694
<b>Fund Balances:</b>					
Designated for operations	(292,501)	0	2,190,093	1,897,592	1,826,442
Net investment in property and equipment	2,532,041	0	0	2,532,041	2,476,230
Total Fund Balances	<u>2,239,540</u>	<u>0</u>	<u>2,190,093</u>	<u>4,429,633</u>	<u>4,302,672</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,011,808</u></u>	<u><u>\$ 1,906,743</u></u>	<u><u>\$ 2,375,716</u></u>	<u><u>\$ 7,294,267</u></u>	<u><u>\$ 7,269,574</u></u>

The accompanying notes are an integral part of this statement.

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

	Unrestricted Fund	Restricted Fund	WPBF (Note 9)	Total 2000-01	Total 1999-2000
<b>Support and Revenue</b>					
State General Appropriations	\$ 742	\$ 1,716,131	\$ 0	\$ 1,716,873	\$ 1,694,952
State Building Trust Funds	0	286,714	0	286,714	485,882
State Self Insurance Funds	0	4,522	0	4,522	0
Contributed Support	0	0	3,286,937	3,286,937	2,878,591
Community Services Grant—CPB	0	0	590,649	590,649	596,611
Underwriting Grants	0	0	495,869	495,869	413,515
Federal Grants	0	83,525	0	83,525	57
Other Grants and Contracts	0	0	0	0	284,151
In-kind Donated Services (Note 7)	0	246,512	0	246,512	243,749
Investment Income	0	0	(61,716)	(61,716)	78,074
Royalties and Other Income	181,484	0	9,399	190,883	52,987
Total Support and Revenue	<u>182,226</u>	<u>2,337,404</u>	<u>4,321,138</u>	<u>6,840,768</u>	<u>6,728,569</u>
<b>Expenses</b>					
Program Services:					
Programming and production	2,780,314	207,721	44,287	3,032,322	2,851,044
Broadcasting	939,893	1,130,756	0	2,070,649	1,712,623
Program information	0	0	420,516	420,516	378,956
Total Program Services	<u>3,720,207</u>	<u>1,338,477</u>	<u>464,803</u>	<u>5,523,487</u>	<u>4,942,623</u>
Support Services:					
Management and general	35,438	587,695	131,578	754,711	531,668
Fund-raising and membership development	40,910	0	387,627	428,537	383,697
Underwriting	7,072	0	0	7,072	15,874
Total Support Services	<u>83,420</u>	<u>587,695</u>	<u>519,205</u>	<u>1,190,320</u>	<u>931,239</u>
Total Expenses	<u>3,803,627</u>	<u>1,926,172</u>	<u>984,008</u>	<u>6,713,807</u>	<u>5,873,862</u>
Excess (Deficiency) of Support and Revenue Over Expenses	<u>\$ (3,621,401)</u>	<u>\$ 411,232</u>	<u>\$ 3,337,130</u>	<u>\$ 126,961</u>	<u>\$ 854,707</u>
<b>Fund Balances</b>					
Beginning Fund Balances	\$ 1,817,694	\$ (238)	\$ 2,485,216	\$ 4,302,672	\$ 3,447,965
Excess (Deficiency) of Support and Revenue Over Expenses	(3,621,401)	411,232	3,337,130	126,961	854,707
Interfund Donation (Note 3)	4,043,247	(410,994)	(3,632,253)	0	0
Fund Balances at End of Year	<u>\$ 2,239,540</u>	<u>\$ 0</u>	<u>\$ 2,190,093</u>	<u>\$ 4,429,633</u>	<u>\$ 4,302,672</u>

The accompanying notes are an integral part of this statement.

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

	Operating Funds	WPBF (Note 9)	Total <u>2000-01</u>	Total <u>1999-2000</u>
<b>Cash Flows from Operating Activities</b>				
Excess (Deficiency) of Revenues Over Expenses	\$ (3,210,169)	\$ 3,337,130	\$ 126,961	\$ 854,707
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Unrealized (gain) loss on investments	0	159,426	159,426	(33,573)
Realized (gain) loss on investments	0	(15,547)	(15,547)	(23,654)
Depreciation	214,038	0	214,038	211,491
Loss on disposal of fixed assets	50,624	0	50,624	560
Decrease (increase) in receivable—State general appropriations	(8,369)	0	(8,369)	(324,041)
Decrease (increase) in interest receivable	0	10,912	10,912	(11,920)
Decrease (increase) in other receivables	19,004	476,936	495,940	(349,513)
Increase (decrease) in accounts payable and accrued expenses	(58,467)	2,576	(55,891)	(252,175)
Increase (decrease) in accrued liabilities due affiliate	(497,402)	8,925	(488,477)	500,969
Increase (decrease) in deferred support	0	0	0	(39,961)
Increase (decrease) in interfund receivable	329,249	(329,249)	0	0
Net Cash Provided (Used) by Operating Activities	<u>(3,161,492)</u>	<u>3,651,109</u>	<u>489,617</u>	<u>532,890</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Interfund Donations	<u>3,632,253</u>	<u>(3,632,253)</u>	<u>0</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Property and Equipment	(320,473)	0	(320,473)	(664,423)
Increase (Decrease) in Capital Lease Payable	0	0	0	(6,635)
Increase (Decrease) in Note Payable	79,734	0	79,734	(3,046)
Increase (Decrease) in Wisconsin General Obligation Bonds Payable	<u>(14,403)</u>	<u>0</u>	<u>(14,403)</u>	<u>11,578</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(255,142)</u>	<u>0</u>	<u>(255,142)</u>	<u>(662,526)</u>
<b>Cash Flows from Investing Activities</b>				
Net Proceeds from Sale, Maturity, or (Purchase) of Investments Equity in Resources Held by WPRA	<u>0</u>	<u>(115,516)</u>	<u>(115,516)</u>	<u>(356,653)</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>(262,181)</u>	<u>(262,181)</u>	<u>292,627</u>
Increase (Decrease) in Cash and Cash Equivalents	215,619	(243,325)	(27,706)	162,991
<b>Cash and Cash Equivalents</b>				
Beginning of Year	(238)	735,549	735,311	572,320
End of Year	<u>\$ 215,381</u>	<u>\$ 492,224</u>	<u>\$ 707,605</u>	<u>\$ 735,311</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 radio network consisting of 13 public radio stations. ECB also operates a network of five television stations. These financial statements include the accounts relating to the ECB Radio 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.

Radio 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 9 for further information regarding WPBF.

ECB Radio Network financial statements also include an equity interest in the Wisconsin Public Radio Association (WPRA), a not-for-profit corporation that collects funds for public radio and provides support to the ECB radio network and to WHA-Radio. See Note 10 for further information regarding WPRA.

- 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 Radio 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 Radio 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 Radio 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. Revenue is recognized for pledged WPRA contributions that are expected to be collected within 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. 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.
- F. 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.
- G. Cash and Cash Equivalents - Cash and cash equivalents in the Radio 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.
- H. Valuation of Investments - All investments of WPBF related to the Radio 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.
- I. 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.
- J. 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.
- K. 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 Radio 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 Radio Network deposits with financial institutions was \$492,224, and the bank balance was \$976,878. Deposits of up to \$100,000 at each financial institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$100,000 was insured and, therefore, classified in risk category 1; \$876,878 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. 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 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	\$1,734,567	\$1,667,858

### 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 \$2,284,401 for equipment and \$34,340 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 2000-01. Depreciated value of equipment purchased with NTIA funds is \$146,871.

### 5. 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 \$98,328 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 appropriation for the principal repayment of \$161,214 is not included. The changes in the long-term liability are as follows:

General Obligation Bonds Payable as of June 30, 2000	\$ 1,097,694
Bond Refunding	(13,779)
New Issuances	523,580
Reclassified as Current—Bonds Payable	<u>(133,032)</u>
General Obligation Bonds Payable as of June 30, 2001	<u>\$1,474,463</u>

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2002	\$ 133,032	\$ 86,732	\$ 219,764
2003	120,333	78,531	198,864
2004	120,584	72,580	193,164
2005	126,241	66,315	192,556
2006	99,511	59,690	159,201
Thereafter	<u>1,007,794</u>	<u>406,600</u>	<u>1,414,394</u>
Total	<u>\$1,607,495</u>	<u>\$770,448</u>	<u>\$2,377,943</u>

## 6. 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 5, 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	\$ 28,190
1998	Series B	3,232
2001	Series EMOOB1	56,000
2001	Series EMOOC	<u>48,000</u>
Total		<u>\$135,422</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.

## 7. Restricted Revenue

The principal restricted resources for the ECB Radio 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 for the construction of a national weather service transmitter; and 6) payment of costs related to the operation of the weather service transmitter.

Appropriated funds are reported only to the extent expended. As explained in Note 5, 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 \$32,910 in donated professional services, \$207,721 in donated general operational services, and \$5,881 in donated instructional radio 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.

## 8. Employee Retirement Plan

Permanent employees of the ECB Radio 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 Radio Network's contribution to the plan was \$205,748 for FY 2000-01. The relative position of the ECB Radio Network in the Wisconsin Retirement System is not available because the system is a statewide, multi-employer plan.

**9. Wisconsin Public Broadcasting Foundation, Inc. (WPBF)**

The accounts of the ECB Radio 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>

**10. Related Entities**

A. WHA Radio - WHA Radio 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 Radio and Wisconsin Public Television 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.

- B. Wisconsin Public Radio Association (WPR) - WPR is a not-for-profit corporation that solicits funds for public radio and provides support to the ECB Radio Network and WHA-Radio, a network of radio stations licensed to the UW Board of Regents. WPR solicits funds in the name of, and with the approval of, both ECB and WHA Radio. ECB Radio and WHA Radio have access to WPR's net resources and retain an ongoing equity interest. ECB Radio's equity interest in WPR is calculated in accordance with an affiliation agreement, which currently provides ECB with 76 percent of WPR net resources. This agreement is renegotiated annually based upon fund drive results.

ECB Radio includes in revenue the entire amount of WPR net resources to which it is entitled each year. ECB Radio also recognizes WPR expenses made on its behalf as both a contribution and an expense. A summary of amounts related to WPR included in the accompanying financial statements follows:

	Fiscal Year Ended <u>June 30, 2001</u>
Equity in Resources Held by WPR	\$ 157,855
Contributed Support	\$3,286,937
Expenses:	
Program Information	\$387,627
Management and General	76,096
Fund-raising and Membership	
Development	<u>420,516</u>
Total Expenses	\$ 884,239

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data follows:

	Fiscal Year Ended <u>June 30, 2001</u>
Revenues	\$4,267,199
Expenses	<u>(4,131,351)</u>
Excess Revenues Over Expenses	<u>\$ 135,848</u>
	<u>June 30, 2001</u>
Current Assets	\$ 759,706
Endowment	236,497
Long-term Investments	70,373
Current Liabilities	(296,180)
Restricted Fund Balance	<u>(75,071)</u>
Net Assets Contractually Committed for Distribution to ECB and WHA Radio	<u>\$ 695,325</u>

#### 11. WHAD-FM Allocation

On September 29, 1993, WHAD-FM and its affiliated Ideas Network stations qualified for Community Service Grant assistance from the Corporation for Public Broadcasting. WHAD-FM and affiliated Ideas Network stations are licensed to ECB, and the stations' financial transactions are included as part of the ECB Radio Network financial statements. That portion of the Statement of Financial Activity attributable to Ideas Network stations' revenues, direct expenditures, and related readily allocable indirect expenditures are identified in the following table. The remaining revenues and expenses are considered attributable to WERN and its affiliated Music Network stations and include any unallocated amounts of the Ideas Network stations. A summary of the portions of ECB Radio Network activities attributed to WHAD-FM and WERN follows:

**Fiscal Year Ended June 30, 2001**

	ECB-Radio <u>Total</u>	WHAD-FM <u>and Affiliates</u>	WERN <u>and Affiliates</u>
<b>Support and Revenue</b>			
State General Appropriations	\$1,716,873	\$466,718	\$1,250,155
State Building Trust Funds	286,714	108,422	178,292
State Self-Insurance Funds	4,522	0	4,522
Contributed Support	3,286,937	1,237,829	2,049,108
Community Service Grant—CPB	590,649	123,706	466,943
Underwriting Grants	495,869	123,890	371,979
Federal Grants	83,525	0	83,525
In-kind Donated Services	246,512	0	246,512
Investment Income	(61,716)	5,330	(67,046)
Royalties and Other Income	<u>190,883</u>	<u>26,076</u>	<u>164,807</u>
Total Support and Revenue	<u>\$6,840,768</u>	<u>\$2,091,971</u>	<u>\$4,748,797</u>
<b>Expenses</b>			
Program Services:			
Programming and production	\$3,032,322	\$1,490,756	\$1,541,566
Broadcasting	2,070,649	357,518	1,713,131
Program information	<u>420,516</u>	<u>0</u>	<u>420,516</u>
Total Program Services	<u>5,523,487</u>	<u>1,848,274</u>	<u>3,675,213</u>
Support Services:			
Management and general	754,711	243,697	511,014
Fund-raising and membership development	428,537	0	428,537
Underwriting	<u>7,072</u>	<u>0</u>	<u>7,072</u>
Total Support Services	<u>1,190,320</u>	<u>243,697</u>	<u>946,623</u>
Total Expenses	<u>\$6,713,807</u>	<u>\$2,091,971</u>	<u>\$4,621,836</u>

**12. Prior-Period Correction**

FY 1999-2000 financial data, presented for comparative purposes, have been restated to accrue prior-year building fund revenues to ECB Radio 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 \$239,929.

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# **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**

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We have audited the financial statements of the Wisconsin Educational Communications Board Radio Network as of and for the year ended June 30, 2001, and have issued our report thereon dated December 14, 2001. We did not audit the financial statements of the Wisconsin Public Radio Association. 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 Wisconsin Public Radio Association, 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 Wisconsin Public Radio Association 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 the Educational Communications Board Radio 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**

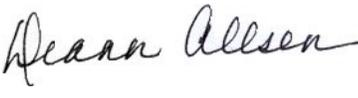
In planning and performing our audit, we considered the Educational Communications Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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.

December 14, 2001

LEGISLATIVE AUDIT BUREAU

by 

Diann Allsen  
Audit Director

