

AN AUDIT

*Wisconsin Educational
Communications Board
Television Network*

99-21

December 1999

1999-2000 Joint Legislative Audit Committee Members

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TABLE OF CONTENTS

LETTER OF TRANSMITTAL	1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE WISCONSIN EDUCATIONAL COMMUNICATIONS BOARD TELEVISION NETWORK	3
FINANCIAL STATEMENTS	
Statement 1 - Wisconsin Educational Communications Board Television Network Balance Sheet - June 30, 1999	5
Statement 2 - Wisconsin Educational Communications Board Television Network Statement of Financial Activity for the Year Ended June 30, 1999	6
Statement 3 - Wisconsin Educational Communications Board Television Network Statement of Cash Flows for the Year Ended June 30, 1999	7
NOTES TO THE FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTARY INFORMATION—YEAR 2000	19



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 30, 1999

Senator Gary R. George and
Representative Carol Kelso, 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 Kelso, 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 five stations, as well as a radio network of ten FM stations and one AM station. The television network received \$10.6 million in support and revenue during fiscal year 1998-99, 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, 1998 through June 30, 1999. 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,

Janice Mueller
State Auditor

JM/DA/bm

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, 1999, 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 generally accepted auditing standards 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. 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 and the results of its operations and changes in fund balances of its fund types in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wisconsin Educational Communications Board Television Network as of June 30, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

The required supplementary information on year 2000 is not a required part of the basic financial statements, but is supplementary information required by Governmental Accounting Standards Board technical bulletin 99-1. We have applied certain limited procedures, which consisted principally of inquiries of management. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Educational Communications Board is or will become year 2000 compliant, that the Educational Communications Board's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Educational Communications Board does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we will issue a report dated December 17, 1999, on our consideration of the Wisconsin Educational Communications Board Television Network's internal controls over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

December 17, 1999

by

Diann Allsen
Audit Director

Wisconsin Educational Communications Board Television Network
Balance Sheet
June 30, 1999

	Unrestricted Fund	Restricted Fund	WPBF (Note 12)	Total June 30, 1999	Total June 30, 1998
Assets					
Current Assets:					
Cash and cash equivalents (Note 1)	\$ 590,768	\$ 0	\$ 926,964	\$ 1,517,732	\$ 981,175
Investments (Note 3)	0	0	2,493,309	2,493,309	2,633,759
Costs incurred for programs not yet broadcast	335,389	470,999	0	806,388	570,829
Receivable - State general appropriation	0	1,083,367	0	1,083,367	1,237,698
Grants and contracts receivable	0	0	2,920	2,920	5,671
Interfund receivable (payable) (Note 4)	26,041	(8,041)	(18,000)	0	0
Interest receivable	0	0	5,882	5,882	3,727
Accounts receivable - Instructional material	507	0	0	507	13,498
Other receivables	126,787	0	12,603	139,390	140,012
Inventory - Instructional material	115,120	0	0	115,120	96,533
Prepaid expenses	53,853	496	0	54,349	46,339
Total Current Assets	1,248,465	1,546,821	3,423,678	6,218,964	5,729,241
Noncurrent Assets:					
Receivable - State general appropriation	0	2,644,934	0	2,644,934	3,034,984
Equipment (Note 5)	7,306,086	0	0	7,306,086	7,402,841
Buildings (Note 5)	73,270	0	0	73,270	78,421
Land	57,416	0	0	57,416	57,416
Total Noncurrent Assets	7,436,772	2,644,934	0	10,081,706	10,573,662
Total Assets	\$ 8,685,237	\$ 4,191,755	\$ 3,423,678	\$ 16,300,670	\$ 16,302,903
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 362,431	\$ 373,627	\$ 74,003	\$ 810,061	\$ 989,271
Accrued liabilities to affiliates (Note 14)	79,763	0	467,085	546,848	229,575
Deferred revenue for programs not yet broadcast (Note 6)	0	470,999	0	470,999	231,755
Deferred support (Note 6)	0	229	0	229	229
Short-term capital lease payable (Note 9)	15,481	0	0	15,481	40,590
Short-term note payable (Note 8)	0	55,918	0	55,918	48,372
Wisconsin general obligation bonds payable	0	646,048	0	646,048	625,718
Total Current Liabilities	457,675	1,546,821	541,088	2,545,584	2,165,510
Long-term Liabilities:					
Long-term capital lease payable	0	0	0	0	17,446
Wisconsin general obligation bonds payable (Note 7)	0	2,644,934	0	2,644,934	3,034,984
Total Long-term Liabilities	0	2,644,934	0	2,644,934	3,052,430
Fund Balances:					
Designated for operations	790,790	0	2,298,921	3,089,711	3,208,001
Designated for endowment (Note 10)	0	0	583,669	583,669	338,284
Net investment in property and equipment	7,436,772	0	0	7,436,772	7,538,678
Total Fund Balances	8,227,562	0	2,882,590	11,110,152	11,084,963
Total Liabilities and Fund Balances	\$ 8,685,237	\$ 4,191,755	\$ 3,423,678	\$ 16,300,670	\$ 16,302,903

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, 1999

	Unrestricted Fund	Restricted Fund	WPBF (Note 12)	Total 1998-99	Total 1997-98
Support and Revenue					
State General Appropriation	\$ 0	\$ 4,504,114	\$ 0	\$ 4,504,114	\$ 4,806,739
State Building Trust Funds	0	709,717	0	709,717	402,994
State Insurance Funds	0	7,498	0	7,498	54,019
Contributions Undesignated	0	0	2,281,026	2,281,026	2,149,380
Community Services Grant - CPB	0	0	718,462	718,462	780,334
Underwriting Grants	0	0	382,901	382,901	256,226
Federal Grants	0	13,878	0	13,878	182,925
Other Grants	78,256	0	67,213	145,469	111,532
Donated Services (Note 11)	0	270,035	0	270,035	276,347
Major Gifts	0	0	64,450	64,450	127,482
Investment Income	0	0	252,873	252,873	334,835
Sale of Instructional Material	114,515	0	0	114,515	125,658
Royalties and Other Income	473,806	0	649,690	1,123,496	1,193,346
Total Support and Revenue	<u>666,577</u>	<u>5,505,242</u>	<u>4,416,615</u>	<u>10,588,434</u>	<u>10,801,817</u>
Expenses					
Program Services:					
Programming and production	2,626,817	1,927,199	374,694	4,928,710	5,256,887
Broadcasting	1,291,165	1,833,098	2,909	3,127,172	3,071,681
Program information	95,972	0	99,324	195,296	180,651
Total Program Services	<u>4,013,954</u>	<u>3,760,297</u>	<u>476,927</u>	<u>8,251,178</u>	<u>8,509,219</u>
Support Services:					
Management and general	308,941	969,553	70,364	1,348,858	1,383,025
Fund-raising and membership development	273,911	8,130	735,426	1,017,467	942,629
Total Support Services	<u>582,852</u>	<u>977,683</u>	<u>805,790</u>	<u>2,366,325</u>	<u>2,325,654</u>
Total Expenses	<u>4,596,806</u>	<u>4,737,980</u>	<u>1,282,717</u>	<u>10,617,503</u>	<u>10,834,873</u>
Excess (Deficiency) of Support and Revenue Over Expenses	<u>\$ (3,930,229)</u>	<u>\$ 767,262</u>	<u>\$ 3,133,898</u>	<u>\$ (29,069)</u>	<u>\$ (33,056)</u>
Fund Balances					
Beginning Fund Balances as Previously Reported	\$ 8,231,670	\$ 0	\$ 2,853,293	\$ 11,084,963	\$ 12,779,530
Prior-period correction (Note 15)	0	0	0	0	(105,398)
Cumulative effect of change in capitalization (Note 2)	0	0	0	0	(1,556,113)
Beginning Fund Balances as Adjusted	8,231,670	0	2,853,293	11,084,963	11,118,019
Excess (Deficiency) of Support and Revenue Over Expenses	(3,930,229)	767,262	3,133,898	(29,069)	(33,056)
Equipment transfers from Radio	54,258	0	0	54,258	0
Interfund donation	3,871,863	(767,262)	(3,104,601)	0	0
Fund Balances at End of Year	<u>\$ 8,227,562</u>	<u>\$ 0</u>	<u>\$ 2,882,590</u>	<u>\$ 11,110,152</u>	<u>\$ 11,084,963</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, 1999

	Operating Funds	WPBF (Note 12)	Total 1998-99	Total 1997-98
Cash Flows from Operating Activities				
Excess (Deficiency) of Support and Revenues Over Expenses	\$ (3,162,967)	\$ 3,133,898	\$ (29,069)	\$ (33,056)
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Unrealized (gain) loss on investments	0	(127,739)	(127,739)	(123,544)
Realized (gain) loss on investments	0	(143,953)	(143,953)	(19,947)
Depreciation	779,324	0	779,324	743,160
Loss on disposal of fixed assets	28,278	0	28,278	4,200
Decrease (increase) in costs incurred for programs not yet broadcast	(235,559)	0	(235,559)	(192,353)
Decrease (increase) in receivable - State general appropriation	154,331	0	154,331	49,089
Decrease (increase) in grants and contracts receivable	553	2,198	2,751	151,066
Decrease (increase) in interest receivable	0	(2,155)	(2,155)	23,392
Decrease (increase) in accounts receivable - Instructional material	12,991	0	12,991	(12,103)
Decrease (increase) in other receivables	(66,871)	67,493	622	(74,167)
Decrease (increase) in inventory - Instructional material	(18,587)	0	(18,587)	(14,193)
Decrease (increase) in prepaid expenses	(8,010)	0	(8,010)	7,176
Increase (decrease) in accounts payable and accrued expenses	(198,306)	19,096	(179,210)	82,567
Increase (decrease) in accrued liabilities to affiliates	79,763	237,510	317,273	229,575
Increase (decrease) in deferred revenue for programs not yet broadcast	239,244	0	239,244	179,563
Increase (decrease) in deferred support	0	0	0	(20,746)
Increase (decrease) in interfund receivable	475,208	(475,208)	0	0
Net Cash Provided (Used) by Operating Activities	<u>(1,920,608)</u>	<u>2,711,140</u>	<u>790,532</u>	<u>979,679</u>
Cash Flows from Noncapital Financing Activities				
Interfund Donations	3,104,601	(3,104,601)	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	3,104,601	(3,104,601)	0	0
Cash Flows from Capital and Related Financing Activities				
Purchase of Property and Equipment	(651,438)	0	(651,438)	(719,429)
Increase (Decrease) in Capital Lease Payable	(42,555)	0	(42,555)	58,036
Increase (Decrease) in Notes Payable	7,546	0	7,546	48,372
Increase (Decrease) in Wisconsin General Obligation Bonds Payable	20,330	0	20,330	(90,419)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(666,117)</u>	<u>0</u>	<u>(666,117)</u>	<u>(703,440)</u>
Cash Flows from Investing Activities				
Net Proceeds from Sale, Maturity, and (Purchase) of Investments	0	412,142	412,142	(268,627)
Net Cash Provided (Used) by Investing Activities	0	412,142	412,142	(268,627)
Increase in Cash and Cash Equivalents	517,876	18,681	536,557	7,612
Cash and Equivalents				
Beginning of Year	72,892	908,283	981,175	973,563
End of Year	<u>\$ 590,768</u>	<u>\$ 926,964</u>	<u>\$ 1,517,732</u>	<u>\$ 981,175</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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 11 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 12 for further information related to WPBF.

- 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, the Wisconsin Educational Communications Board 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 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 resources were 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 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 Appropriation - 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. Cash and Cash Equivalents - Cash and cash equivalents in the Television Network's unrestricted and restricted 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 WPBF fund include cash deposits with financial institutions.
- H. 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, 1999, the fair value of these pool shares was 99.45 percent of carrying value.
- I. 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.
- J. Property and Equipment - Items classified as permanent property are recorded at cost or, for donated property, at the estimated fair-market value at date of receipt. Assets are capitalized if their 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. Employe 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) 1997-98 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 1998-99.

2. Accounting Changes

In FY 1997-98, the capitalization threshold for permanent property was increased from \$500 to \$5,000, and the cumulative effect of \$1,556,113 was shown as a reduction in the beginning fund balance for FY 1997-98. GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, was also implemented during FY 1997-98. This standard requires that governmental entities report investments at fair value in their balance sheets and include changes in the fair value of investments in investment income.

3. 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. Since shares in the State Investment Fund are purchased in \$1,000 increments, ECB cash balances below \$1,000 remain on deposit in the State's bank.

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 by the State at year-end. The risk categories for deposits are: 1) insured or collateralized with securities held by entity or by its agent in the entity's name; 2) uninsured but collateralized by the financial institution; and 3) uninsured and uncollateralized.

At year-end, the carrying amount of ECB's Television Network deposits with financial institutions was \$926,964, and the bank balance was \$992,252. Deposits of up to \$100,000 at each institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance,

\$200,000 was insured and is, therefore, classified in risk category 1; \$792,252 was uninsured and uncollateralized and is, therefore, classified in risk category 3.

- B. Investments - Investments held by WPBF include publicly traded stocks, U.S. government-backed notes and bonds, corporate notes and bonds rated “A” or better, mortgage-backed securities rated “A” or better, and 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 mutuals and the State Investment Fund, which are not required to be categorized, all investments meet the criterion for risk category 1. Detail for cash and investment balances as of June 30, 1999, follows:

	<u>Cash and Equivalents</u>	<u>Investments</u>
Demand Deposits	\$ (4,519)	\$ 0
Money Market Funds	931,483	0
State Investment Funds	590,768	0
Stocks	0	959,762
Bonds	0	1,159,962
Equity Mutual Funds	<u>0</u>	<u>373,585</u>
Total	<u>\$1,517,732</u>	<u>\$2,493,309</u>

4. Fund Transfers

WPBF transfers funds to the 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.

5. Accumulated Depreciation

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 and software to 20 years for buildings and towers. The accumulated depreciation on June 30, 1999, was \$6,650,324 for equipment and \$41,208 for buildings.

6. Changes in Deferred Support and Revenues

	Deferred Revenue for <u>Programs Not Yet Broadcast</u>	<u>Deferred Support</u>
Beginning Balance	\$231,755	\$229
(-) Prior-Year Earned	66,634	0
(+) Additions	<u>305,878</u>	<u>0</u>
End of Year Balance	<u>\$470,999</u>	<u>\$229</u>

7. 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 tax revenue. The interest expense of \$183,484 is included as a restricted broadcasting operating expense on the statement of financial activity. Since the proceeds of the bonds were included as support in the year facilities were acquired, the amount provided through the annual appropriation for the principal repayment of \$630,972 is not included.

The changes in the long-term liability are as follows:

General Obligation Bonds Payable as of 6/30/98	\$3,034,984
Bond Refunding	(301,137)
New Issuances	557,135
Reclassified as Current—Bonds Payable	<u>(646,048)</u>
General Obligation Bonds Payable as of 6/30/99	<u>\$2,644,934</u>

As of June 30, 1999, 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>
2000	\$ 646,049	\$ 177,340	\$ 823,389
2001	457,526	146,805	604,331
2002	392,841	116,389	509,230
2003	391,766	95,004	486,770
2004	131,021	73,419	204,440
Thereafter	<u>1,271,779</u>	<u>423,945</u>	<u>1,695,724</u>
Total	<u>\$3,290,982</u>	<u>\$1,032,902</u>	<u>\$4,323,884</u>

8. Short-Term Note Payable

In FY 1998-99, 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 7. The notes were authorized and issued in anticipation of revenue or bond financing. Through FY 1998-99, there were two separate issues; 1997 Series A for \$46,543, and 1998 Series B for \$9,375. As of June 30, 1999, these notes had not been refinanced. Since they do not meet long-term financing criteria, they must be classified as short-term fund liabilities.

9. Capital Lease

ECB entered into a capital lease for computer equipment during FY 1997-98. Capital lease commitments are recorded as a liability in the unrestricted fund, and the related asset and the depreciation are also reported in the unrestricted fund. Assets acquired through capital leases are valued at the lower of fair market value or the present value of minimum lease payments at the inception of the lease. An analysis of the assets leased under capital leases as of June 30, 1999 follows:

Unrestricted Fund

Equipment	\$94,729
Less: Accumulated Depreciation	<u>(28,419)</u>
Carrying Amount	<u>\$66,310</u>

The following is an analysis of the gross minimum lease payments, along with the present value of the minimum lease payments as of June 30, 1999, for capital leases:

Minimum Future Payments		\$17,814
Less: Executory Costs	1,126	
Interest	<u>1,207</u>	<u>2,333</u>
Present Value of Net Minimum Lease Payments		<u>\$15,481</u>

10. Endowment

The management of WPBF established an endowment during FY 1992-93. None of the assets in the endowment at June 30, 1999, are donor restricted.

11. Restricted Revenue

The principal restricted resources for the ECB Television Network are:

A. State of Wisconsin—General Appropriation

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 7, 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

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 \$39,564 in donated professional services, \$30,576 in donated general operational services, and \$199,895 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.

12. 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 is presented, which includes radio, television, and other non-broadcasting activities of WPBF.

	<u>Fiscal Year Ended 6/30/99</u>
Revenue	\$8,334,680
Expense	<u>(2,411,865)</u>
Excess Revenue Over Expense	<u>\$5,922,815</u>
	<u>6/30/99</u>
Cash and Investments	\$5,278,882
Other Current Assets	839,744
Liabilities	<u>(1,495,846)</u>
Net Assets	<u>\$4,622,780</u>

13. Employee Retirement Plan

Permanent, full-time 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, 1998, may be obtained by writing:

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

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 contributions to the plan were \$360,540 for FY 1998-99 and \$368,660 for FY 1997-98. 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.

14. 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 a partnership called Wisconsin Public Broadcasting to manage and operate their licenses. The partnership is 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.

15. Prior-Period Correction

FY 1997-98 financial data, presented for comparative purposes, have been restated and the beginning fund balance has been adjusted to accrue a liability to WHA Television. ECB collects underwriting revenues for both ECB and WHA Television and remits WHA Television's share upon its request. At the end of each fiscal year between FY 1990-91 and FY 1997-98, ECB did not adjust revenues and set up a payable for any amounts collected but not yet remitted to WHA Television. The FY 1997-98 comparative information has been restated to correct for the prior-period correction. The July 1, 1997 unrestricted fund balance has been decreased by \$105,398, and support and revenue has been decreased by \$124,177 during FY 1997-98. The net effect of the prior-period correction is to reduce the unrestricted fund balance at June 30, 1998 by \$229,575.

REQUIRED SUPPLEMENTARY INFORMATION—YEAR 2000

The Educational Communications Board is currently addressing year 2000 issues relating to its computer systems and electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits (i.e., 99) to refer to a year, which may cause computer programs, data files, and electronic equipment with computer chips to fail or create errors.

The Board has segregated its applications and hardware into three groups and is addressing them in the following order: mission-critical systems, which include systems integral to its broadcasting mission; business-critical systems, which include its financial accounting systems; and general non-critical systems.

The Board is subjecting its mission-critical and business-critical systems to the following process to address year 2000 compliance:

- awareness stage—establishing a budget and project plan for dealing with the year 2000 issue;
- assessment stage—identifying the systems and components for which year 2000 compliance work is needed;
- remediation stage—making changes to systems and equipment; and
- validation/testing stage—validating and testing the changes that were made during the remediation stage.

The Educational Communications Board's year 2000 remediation work for its mission-critical and business-critical systems and electronic equipment are in the following stages of work. C means complete, P means in process, and A means still needs to be addressed.

<u>Mission- and Business- Critical Systems</u>	<u>Awareness</u>	<u>Assessment</u>	<u>Remediation</u>	<u>Validation/ Testing</u>
Transmitter Automation System	C	C	C	C
Broadcast Tape Handling System	C	C	C	C
Tape Inventory System	C	C	C	C
Scheduling	C	C	C	C
Server Operating Systems	C	C	C	C
Financial Accounting Systems	C	C	C	C
Invoicing and Accounts Receivable	C	C	C	C
Fixed Assets Inventory	C	C	P	A
Ordering System	C	C	C	C
Wiring/Network Infrastructure	C	C	C	C
Electrical/UPS Systems	C	C	C	C

All desktop personal computers have been either upgraded or replaced, and validation testing has been completed. All mission- and business-critical servers are hardware and operating system compliant, and the agency is in the final stages of moving older applications from a noncompliant platform to the newest servers.
