

AN AUDIT

*Wisconsin Education
Communication Board
Television Network*

00-18

December 2000

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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
Statement 1 - Balance Sheet of June 30, 2000	5
Statement 2 - Statement of Financial Activity for the Year Ended June 30, 2000	6
Statement 3 - Statement of Cash Flows for the Year Ended June 30, 2000	7
NOTES TO THE FINANCIAL STATEMENTS	9



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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December 21, 2000

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 5 stations, as well as a radio network of 12 FM stations and 1 AM station. The television network received \$12.2 million in support and revenue during fiscal year 1999-2000, 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, 1999 through June 30, 2000. 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/cm

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, 2000, 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, the results of its operations, and its cash flows 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, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we will issue a report dated December 13, 2000, 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 13, 2000

by

Diann Allsen
Audit Director

Wisconsin Educational Communications Board Television Network
Balance Sheet
June 30, 2000

Assets	Unrestricted Fund	Restricted Fund	WPBF (Note 12)	Total June 30, 2000	Total June 30, 1999
Current Assets:					
Cash and cash equivalents (Note 1)	\$ 111,539	\$ 0	\$ 1,031,941	\$ 1,143,480	\$ 1,517,732
Investments (Note 2)	0	0	2,596,687	2,596,687	2,493,309
Costs incurred for programs not yet broadcast (Note 1)	317,080	515,625	0	832,705	806,388
Receivable - State general appropriation	126,320	1,109,780	0	1,236,100	1,083,367
Grants and contracts receivable	0	0	0	0	2,920
Interfund receivable (payable) (Note 3)	385,851	(671)	(385,180)	0	0
Interest receivable	0	0	33,932	33,932	5,882
Accounts receivable - Instructional material	6,296	0	0	6,296	507
Other receivables	84,076	0	89,804	173,880	139,390
Inventory - Instructional material	112,890	0	0	112,890	115,120
Prepaid expenses	13,294	671	0	13,965	54,349
Total Current Assets	<u>1,157,346</u>	<u>1,625,405</u>	<u>3,367,184</u>	<u>6,149,935</u>	<u>6,218,964</u>
Noncurrent Assets:					
Receivable - State general appropriation	0	2,438,983	0	2,438,983	2,644,934
Equipment (Note 4)	8,146,923	0	0	8,146,923	7,306,086
Buildings (Note 4)	68,119	0	0	68,119	73,270
Land	57,416	0	0	57,416	57,416
Total Noncurrent Assets	<u>8,272,458</u>	<u>2,438,983</u>	<u>0</u>	<u>10,711,441</u>	<u>10,081,706</u>
Total Assets	<u>\$ 9,429,804</u>	<u>\$ 4,064,388</u>	<u>\$ 3,367,184</u>	<u>\$ 16,861,376</u>	<u>\$ 16,300,670</u>
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 319,155	\$ 563,072	\$ 120,295	\$ 1,002,522	\$ 810,061
Accrued liabilities to affiliates (Note 13)	238,787	0	341,948	580,735	546,848
Deferred revenue for programs not yet broadcast (Note 5)	0	515,625	0	515,625	470,999
Deferred support (Note 5)	0	0	0	0	229
Short-term capital lease payable (Note 8)	0	0	0	0	15,481
Short-term note payable (Note 7)	0	53,052	0	53,052	55,918
Wisconsin general obligation bonds payable (Note 6)	0	493,656	0	493,656	646,048
Total Current Liabilities	<u>557,942</u>	<u>1,625,405</u>	<u>462,243</u>	<u>2,645,590</u>	<u>2,545,584</u>
Long-term Liabilities:					
Wisconsin general obligation bonds payable (Note 6)	0	2,438,983	0	2,438,983	2,644,934
Total Long-term Liabilities:	<u>0</u>	<u>2,438,983</u>	<u>0</u>	<u>2,438,983</u>	<u>2,644,934</u>
Fund Balances:					
Designated for operations	599,404	0	2,278,749	2,878,153	3,089,711
Designated for endowment (Note 9)	0	0	626,192	626,192	583,669
Net investment in property and equipment	8,272,458	0	0	8,272,458	7,436,772
Total Fund Balances	<u>8,871,862</u>	<u>0</u>	<u>2,904,941</u>	<u>11,776,803</u>	<u>11,110,152</u>
Total Liabilities and Fund Balances	<u>\$ 9,429,804</u>	<u>\$ 4,064,388</u>	<u>\$ 3,367,184</u>	<u>\$ 16,861,376</u>	<u>\$ 16,300,670</u>

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, 2000

	Unrestricted Fund	Restricted Fund	WPBF (Note 12)	Total 1999-2000	Total 1998-99
Support and Revenue					
State General Appropriation	\$ 126,320	\$ 4,964,855	\$ 0	\$ 5,091,175	\$ 4,504,114
State Building Trust Funds	0	1,462,375	0	1,462,375	709,717
State Insurance Funds	0	1,688	0	1,688	7,498
Contributions Undesignated	0	0	2,295,472	2,295,472	2,281,026
Community Services Grant - CPB	0	0	853,550	853,550	718,462
Underwriting Grants	0	0	312,394	312,394	382,901
Federal Grants	0	223,213	0	223,213	13,878
Other Grants	14,060	0	168,148	182,208	145,469
In-kind Donated Services (Note 10)	0	229,285	0	229,285	270,035
Major Gifts	0	0	60,384	60,384	64,450
Investment Income	0	0	345,251	345,251	252,873
Sale of Instructional Material	87,581	0	0	87,581	114,515
Royalties and Other Income	355,882	0	652,958	1,008,840	1,123,496
Total Support and Revenue	583,843	6,881,416	4,688,157	12,153,416	10,588,434
Expenses					
Program Services:					
Programming and production	2,613,216	2,042,381	316,964	4,972,561	4,928,710
Broadcasting	1,741,354	2,027,416	0	3,768,770	3,127,172
Program information	166,145	0	75,576	241,721	195,296
Total Program Services	4,520,715	4,069,797	392,540	8,983,052	8,251,178
Support Services:					
Management and general	97,825	1,098,329	39,776	1,235,930	1,348,858
Fund-raising and membership development	318,273	7,113	942,397	1,267,783	1,017,467
Total Support Services	416,098	1,105,442	982,173	2,503,713	2,366,325
Total Expenses	4,936,813	5,175,239	1,374,713	11,486,765	10,617,503
Excess (Deficiency) of Support and Revenue Over Expenses	<u>\$ (4,352,970)</u>	<u>\$ 1,706,177</u>	<u>\$ 3,313,444</u>	<u>\$ 666,651</u>	<u>\$ (29,069)</u>
Fund Balances					
Beginning Fund Balances	\$ 8,227,562	\$ 0	\$ 2,882,590	\$ 11,110,152	\$ 11,084,963
Excess (Deficiency) of Support and Revenue Over Expenses	(4,352,970)	1,706,177	3,313,444	666,651	(29,069)
Equipment Transfers from ECB Radio Network	0	0	0	0	54,258
Interfund Donation	4,997,270	(1,706,177)	(3,291,093)	0	0
Fund Balances at End of Year	\$ 8,871,862	\$ 0	\$ 2,904,941	\$ 11,776,803	\$ 11,110,152

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, 2000

	Operating Funds	WPBF (Note 12)	Total 1999-2000	Total 1998-99
Cash Flows from Operating Activities				
Excess (Deficiency) of Support and Revenues Over Expenses	\$ (2,646,793)	\$ 3,313,444	\$ 666,651	\$ (29,069)
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Unrealized (gain) loss on investments	0	(143,188)	(143,188)	(127,739)
Realized (gain) loss on investments	0	(55,194)	(55,194)	(143,953)
Depreciation	869,252	0	869,252	779,324
Loss on disposal of fixed assets	12,610	0	12,610	28,278
Decrease (increase) in costs incurred for programs not yet broadcast	(26,317)	0	(26,317)	(235,559)
Decrease (increase) in receivable - State general appropriation	(152,733)	0	(152,733)	154,331
Decrease (increase) in grants and contracts receivable	0	2,920	2,920	2,751
Decrease (increase) in interest receivable	0	(28,050)	(28,050)	(2,155)
Decrease (increase) in accounts receivable - Instructional material	(5,789)	0	(5,789)	12,991
Decrease (increase) in other receivables	42,711	(77,201)	(34,490)	622
Decrease (increase) in inventory - Instructional material	2,230	0	2,230	(18,587)
Decrease (increase) in prepaid expenses	40,384	0	40,384	(8,010)
Increase (decrease) in accounts payable and accrued expenses	146,169	46,292	192,461	(179,210)
Increase (decrease) in accrued liabilities to affiliates	159,024	(125,137)	33,887	317,273
Increase (decrease) in deferred revenue for programs not yet broadcast	44,626	0	44,626	239,244
Increase (decrease) in deferred support	(229)	0	(229)	0
Increase (decrease) in interfund receivable	(367,180)	367,180	0	0
Net Cash Provided (Used) by Operating Activities	<u>(1,882,035)</u>	<u>3,301,066</u>	<u>1,419,031</u>	<u>790,532</u>
Cash Flows from Noncapital Financing Activities				
Interfund Donations	<u>3,291,093</u>	<u>(3,291,093)</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Property and Equipment	(1,717,548)	0	(1,717,548)	(651,438)
Increase (Decrease) in Capital Lease Payable	(15,481)	0	(15,481)	(42,555)
Increase (Decrease) in Notes Payable	(2,866)	0	(2,866)	7,546
Increase (Decrease) in Wisconsin General Obligation Bonds Payable	(152,392)	0	(152,392)	20,330
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,888,287)</u>	<u>0</u>	<u>(1,888,287)</u>	<u>(666,117)</u>
Cash Flows from Investing Activities				
Net Proceeds from Sale, Maturity, and (Purchase) of Investments	<u>0</u>	<u>95,004</u>	<u>95,004</u>	<u>412,142</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>95,004</u>	<u>95,004</u>	<u>412,142</u>
Increase (Decrease) in Cash and Cash Equivalents	(479,229)	104,977	(374,252)	536,557
Cash and Equivalents				
Beginning of Year	<u>590,768</u>	<u>926,964</u>	<u>1,517,732</u>	<u>981,175</u>
End of Year	<u>\$ 111,539</u>	<u>\$ 1,031,941</u>	<u>\$ 1,143,480</u>	<u>\$ 1,517,732</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 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 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 (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 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. 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, 2000, the fair value of these pool shares was 99.67 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 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) 1998-99 in the accompanying financial statements presents summarized totals and is included to provide a basis for comparison with FY 1999-2000.

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 by the State at year-end. The risk categories for deposits are: 1) insured or collateralized with securities held by the 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 \$1,031,941, and the bank balance was \$1,304,031. 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; \$1,204,031 was uninsured and uncollateralized and, 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 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 cash and investment balances as of June 30, 2000, follows:

	<u>Cash and Equivalents</u>	<u>Investments</u>
Demand Deposits	\$ 36,888	\$ 0
Money Market Funds	995,053	0
State Investment Fund	111,539	0
Stocks	0	1,035,685
Bonds	0	1,092,610
Equity Mutual Funds	<u>0</u>	<u>468,392</u>
Total	<u>\$1,143,480</u>	<u>\$2,596,687</u>

3. 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.

4. 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, 2000, was \$7,452,269 for equipment and \$46,359 for buildings.

5. Changes in Deferred Support and Revenues

	<u>Deferred Revenue for Programs Not Yet Broadcast</u>	<u>Deferred Support</u>
Beginning Balance	\$ 470,999	\$ 229
(-) Prior-Year Earned	(125,505)	(229)
(+) Additions	<u>170,131</u>	<u>0</u>
Year-end Balance	<u>\$ 515,625</u>	<u>\$ 0</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 \$183,863 is included as a restricted broadcasting operating expense 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 1999-2000 appropriation for the principal repayment of \$663,036 is not included. The changes in the long-term liability are as follows:

General Obligation Bonds Payable as of 6/30/1999	\$2,644,934
Bond Refunding	78,319
New Issuances	209,386
Reclassified as Current—Bonds Payable	<u>(493,656)</u>
General Obligation Bonds Payable as of 6/30/2000	<u>\$2,438,983</u>

As of June 30, 2000, debt service requirements for principal and interest in future years are as follows:

Fiscal Year Ended June 30	Principal	Interest	Debt Service
2001	\$ 493,656	\$ 163,340	\$ 656,996
2002	429,940	130,548	560,489
2003	430,646	107,278	537,923
2004	171,268	83,717	254,985
2005	177,377	74,634	252,011
Thereafter	<u>1,229,752</u>	<u>406,158</u>	<u>1,635,910</u>
Total	<u>\$2,932,639</u>	<u>\$ 965,675</u>	<u>\$3,898,314</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 FYs 1997-98 and 1998-99. The notes were authorized and issued in anticipation of revenue or bond financing. Through FY 1999-2000, there were two separate issues: 1997 Series A for \$44,079, and 1998 Series B for \$8,973. As of June 30, 2000, 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. 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. Following is an analysis of the assets leased under capital leases as of June 30, 2000:

<u>Unrestricted Fund</u>	
Equipment	\$94,729
Less: Accumulated Depreciation	<u>(42,628)</u>
Carrying Amount	<u>\$52,101</u>

FY 1999-2000 is the final year of the capital lease contract, and no additional lease payments will occur.

9. Endowment

The management of WPBF established an endowment during FY 1992-93. None of the assets in the endowment at June 30, 2000 are donor restricted.

10. 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 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 \$72,933 in donated professional services, \$20,763 in donated general operational services, and \$135,589 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.

11. 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

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 \$354,949 for FY 1999-2000. 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.

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, which includes radio, television, and other non-broadcasting activities of WPBF, follows:

	<u>Fiscal Year Ended 6/30/2000</u>
Revenue	\$8,697,329
Expense	<u>(2,276,187)</u>
Excess Revenue Over Expense	<u>\$6,421,142</u>

	<u>June 30, 2000</u>
Cash and Investments	\$6,127,107
Other Current Assets	625,844
Liabilities	<u>(1,362,794)</u>
Net Assets	<u>\$5,390,157</u>

13. 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.
