

AN AUDIT

WHA Radio

99-2

February 1999

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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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February 15, 1999

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

Mr. San W. Orr, Jr.
President of the Board of Regents
University of Wisconsin
1860 Van Hise Hall
Madison, Wisconsin 53706

Dear Senator George, Representative Kelso, and Mr. Orr:

We have completed a financial audit of WHA Radio, a public telecommunications entity operated by the University of Wisconsin-Extension. The audit was requested by the University of Wisconsin-Extension to fulfill the audit requirements of the Corporation for Public Broadcasting. Our audit report contains the financial statements and related notes for the period July 1, 1997 through June 30, 1998.

A new accounting standard requires WHA Radio to include a note disclosure on its year 2000 readiness. However, because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. As a result, we qualify our independent auditor's report because, in our judgement, it is not possible to obtain sufficient evidence to support WHA Radio's disclosures with respect to the year 2000 issue.

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

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ao

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF WHA RADIO, A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY THE UNIVERSITY OF WISCONSIN-EXTENSION

We have audited the accompanying balance sheet of WHA Radio as of June 30, 1998, and the related statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of the management of WHA Radio. 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 \$501,562 are contractually committed to WHA-Radio and are reflected in the accompanying financial data contained in Note 8. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 23.3 percent of total assets and 12.2 percent of total support and revenues. The statements of the Wisconsin Public Radio Association were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Wisconsin Public Radio Association, is based solely on the report of other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 generally accepted auditing standards, but not in accordance with *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 and the report of other auditors provide a reasonable basis for our opinion.

Governmental Auditing Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. WHA Radio has included such disclosures in Note 11. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, in our judgment, it is not possible to obtain sufficient evidence to support WHA Radio's disclosures with respect to the year 2000 issue made in Note 11. Further, we do not provide assurance that WHA Radio is or will be year

2000 ready, that WHA Radio's year 2000 remediation efforts will be successful in whole or in part, or that parties with which WHA Radio does business will be year 2000 ready.

As discussed in Note 1, the financial statements present only WHA Radio 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had it been possible to obtain sufficient evidence regarding year 2000 disclosures, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WHA Radio as of June 30, 1998, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

WHA Radio implemented Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, during fiscal year 1997-98, which is discussed in Note 2 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 1999, on our consideration of the WHA Radio internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants.

LEGISLATIVE AUDIT BUREAU

February 5, 1999

by

Diann Allsen
Audit Director

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Balance Sheet
June 30, 1998

Statement 1

	Unrestricted <u>Fund</u>	Restricted <u>Fund</u>	Property <u>Fund</u>	Total <u>June 30, 1998</u>	Total <u>June 30, 1997</u>
Assets					
Current Assets:					
Cash and cash equivalents (Note 3)	\$ 55,752	\$ 0	\$ 0	\$ 55,752	\$ 63,070
Grants and contracts receivable	146,688	574,594	0	721,282	704,238
Accounts and interest receivable	78,868	0	0	78,868	77,279
Net assets of WPRA (Note 8)	501,562	0	0	501,562	409,755
Prepaid expenses	30,026	0	0	30,026	44,142
Total Current Assets	812,896	574,594	0	1,387,490	1,298,484
Investments (Note 3)	593,210	0	0	593,210	592,076
Property and Equipment:					
Production equipment	0	0	597,273	597,273	597,273
Transmission equipment	0	0	179,679	179,679	179,679
Furniture and fixtures	0	0	102,384	102,384	50,258
Vehicles	0	0	12,156	12,156	22,554
Total Property and Equipment	0	0	891,492	891,492	849,764
Less-Accumulated Depreciation	0	0	(718,970)	(718,970)	(670,396)
Net Property and Equipment	0	0	172,522	172,522	179,368
Total Assets	\$1,406,106	\$ 574,594	\$ 172,522	\$2,153,222	\$2,069,928
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 202,224	\$ 97,755	\$ 0	\$ 299,979	\$ 270,903
Due to the University of Wisconsin	134,915	401,333	0	536,248	531,399
Deferred support (Note 7)	0	75,506	0	75,506	26,270
Total Current Liabilities	337,139	574,594	0	911,733	828,572
Fund Balances:					
Designated for Operations	567,405	0	0	567,405	652,233
Net investment in property and equipment	0	0	172,522	172,522	179,368
WPRA fund balance (Note 8)	501,562	0	0	501,562	409,755
Total Fund Balances	1,068,967	0	172,522	1,241,489	1,241,356
Total Liabilities and Fund Balances	\$1,406,106	\$ 574,594	\$ 172,522	\$2,153,222	\$2,069,928

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Financial Activity
for the Year Ended June 30, 1998

Statement 2

	Unrestricted Fund	Restricted Fund	Property Fund	Total 1997-98	Total 1996-97
Support and Revenue					
State general appropriations	\$1,421,020	\$ 0	\$ 0	\$1,421,020	\$1,494,049
State building trust funds	0	7,349	0	7,349	137,778
Donated facilities and administrative support from the University of Wisconsin (Note 4)	1,147,890	0	0	1,147,890	1,099,668
Community service grant-CPB	390,344	0	0	390,344	406,751
Other grants and contracts	512,988	1,870,137	0	2,383,125	1,757,050
In-kind contributions (Note 5)	83,642	0	0	83,642	78,522
Investment Income	49,467	0	0	49,467	36,573
Telecasting, production, and other income	384,994	0	0	384,994	245,313
Donations from WPRA:					
Distributed	542,616	0	0	542,616	985,487
Undistributed	13,884	0	0	13,884	97,346
Expended	211,558	48,858	0	260,416	374,938
Total Support and Revenue	4,758,403	1,926,344	0	6,684,747	6,713,475
Expenses					
Program Services:					
Programming and production	2,822,239	1,410,246	56,714	4,289,199	4,445,848
Broadcasting	276,695	7,296	2,258	286,249	171,242
Program information	55,015	88,790	0	143,805	90,978
Total Program Services	3,153,949	1,506,332	58,972	4,719,253	4,708,068
Support Services:					
Management and general	1,260,080	108,389	0	1,368,469	1,329,969
Fund-raising and membership	295,127	311,623	0	606,750	624,078
Total Support Services	1,555,207	420,012	0	1,975,219	1,954,047
Total Expenses	4,709,156	1,926,344	58,972	6,694,472	6,662,115
Excess (Deficiency) of Support Revenue Over Expenses	49,247	0	(58,972)	(9,725)	51,360
Fund Balances					
Fund balance at beginning of year	1,061,988	0	179,368	1,241,356	1,386,252
Prior-period corrections (Note 10)	0	0	0	0	(4,445)
Cumulative effect of accounting changes	9,858	0	0	9,858	(191,811)
Adjusted beginning fund balance	1,071,846	0	179,368	1,251,214	1,189,996
Inter-fund transfer for equipment acquisition	(52,126)	0	52,126	0	0
Fund Balances at End of Year	\$1,068,967	\$ 0	\$ 172,522	\$1,241,489	\$1,241,356

The accompanying notes are an integral part of this statement.

WHA Radio
A Public Telecommunications Entity
Operated by the University of Wisconsin-Extension
Statement of Cash Flows
for the Year Ended June 30, 1998

Statement 3

	Operating Funds	Property Fund	Total 1997-98	Total 1996-97
Cash Flows from Operating Activities				
Excess (Deficiency) of revenues over expenses	\$ 49,247	\$ (58,972)	\$ (9,725)	\$ 51,360
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:				
Depreciation	0	58,972	58,972	48,577
Unrealized (gain) loss on investments	(10,449)	0	(10,449)	0
Realized (gain) loss on investments	693	0	693	0
Changes in cash due to:				
(Increase) Decrease in grants and contracts receivable	(17,044)	0	(17,044)	310,961
(Increase) Decrease in accounts and interest receivable	(1,589)	0	(1,589)	(1,104)
(Increase) Decrease in net assets of WPRA	(91,807)	0	(91,807)	(103,005)
(Increase) Decrease in prepaid expenses	14,116	0	14,116	(29,395)
Increase (Decrease) in accounts payable and accrued e	29,076	0	29,076	(36,587)
Increase (Decrease) in due to University of Wisconsin	4,849	0	4,849	(80,655)
Increase (Decrease) in deferred support	49,236	0	49,236	(59,274)
Net Cash Provided by Operating Activities	<u>26,328</u>	<u>0</u>	<u>26,328</u>	<u>100,878</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of property and equipment	0	(52,126)	(52,126)	(158,151)
Inter-fund transfer for equipment acquisition	(52,126)	52,126	0	0
Net Cash Used by Capital and Related Financing Activities	<u>(52,126)</u>	<u>0</u>	<u>(52,126)</u>	<u>(158,151)</u>
Cash Flows from Investing Activities				
Sale, maturity, (purchase) of investments	18,480	0	18,480	(596,521)
Increase (Decrease) in Cash and Cash Equivalents	(7,318)	0	(7,318)	(653,794)
Cash and Cash Equivalents				
Beginning of year	<u>63,070</u>	<u>0</u>	<u>63,070</u>	<u>716,864</u>
End of year	<u>\$ 55,752</u>	<u>\$ 0</u>	<u>\$ 55,752</u>	<u>\$ 63,070</u>

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

Organization

WHA Radio is licensed to the Board of Regents of the University of Wisconsin (UW) System. The financial statements include the accounts of the Wisconsin Public Radio Association, Inc. (WPRA). WPRA solicits funds in the name of, and with the approval of, WHA and the Wisconsin Educational Communications Board. By agreement, 24 percent of receipts and expenses of WPRA are attributed to WHA Radio. All significant inter-organization accounts and transactions have been eliminated.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, WHA Radio 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, provisions of the Corporation for Public Broadcasting's *Principles of Accounting and Financial Reporting for Public Telecommunications Entities (1990 ed.)* that were not contradictory with the AICPA Not-for-Profit model were followed. The financial statements have been prepared on an accrual basis of accounting.

Fund Accounting

The assets, liabilities, and fund balances of WHA Radio are reported in two fund groups:

- Operating Funds—include restricted and unrestricted resources used for support of WHA Radio operations.
- Property Fund—includes the resources expended for property and equipment.

Revenue Recognition

Contributions, pledges, and grants that are unrestricted as to use are recorded as support in the statement of financial activity when WHA Radio is entitled to receive the revenue.

Restricted resources of WHA Radio are those that are to be used for specific programming, broadcasts, or acquisitions. The unexpended portion of restricted grants is reported on the balance sheet as deferred support until the related expenses have been incurred.

WPRA also recognizes revenue for contributions pledged but not yet received at fiscal year-end.

Due to (from) the University

Substantially all contributions and grant monies received by WHA Radio are deposited with the University of Wisconsin until the related expenses are incurred. In addition, expenses incurred related to certain contributions and grants are made by the University of Wisconsin prior to receipt of funding from the granting agency. The receivable or payable that results is reflected in the balance sheet in these accounts.

Allocation of Expenses to Functional Categories

Expenses are shown in the functional categories contained in the statement of financial activity. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.

Cash and Cash Equivalents

Cash and cash equivalents in WHA Radio's unrestricted fund include cash balances deposited with the State Treasurer and shares in the State Investment Fund, a short-term investment pool of state and local funds.

Valuation of Investments

All investments of WHA Radio are carried at fair value based on quoted market price. State Investment Fund shares are valued at amortized cost, which approximates fair value.

Property and Equipment

Items classified as fixed assets are recorded at cost or, for donated property, at the estimated fair-market value at date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 15 years. Expenses for repairs and maintenance are charged to operating expenses as incurred.

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.

Prior-year Financial Statements

The financial information shown for fiscal year (FY) 1996-97 in the accompanying financial statements presents summarized totals and is included only to provide a basis for comparison with FY 1997-98.

2. Accounting Changes

In FY 1997-98, WHA Radio adopted GASB Statement 31: *Accounting and Financial Reporting for Certain Investments And for External Investment Pools*. This statement requires WHA Radio to report its investments at fair value in its balance sheet, with unrealized gains or losses recognized in the Statement of Financial Activities. The cumulative effect for years prior to FY 1997-98 is shown as a restatement of the beginning fund balance in the amount of \$9,858. WHA Radio did not re-state the FY 1996-97 financial balances because the fair values of the investments as of June 30, 1996, were not readily available.

FY 1996-97 financial data, presented for comparative purposes, have been restated to reflect the consolidation of WLSU-FM Radio with WHA Radio's financial statements. During FY 1996-97, an agreement between UW-La Crosse, UW-Extension, and the Educational Communications Board was signed that transferred primary administration of WLSU-FM Radio to UW-Extension.

In FY 1996-97, the capitalization threshold for property and equipment was increased from \$1,000 to \$5,000. The cumulative effect of expensing equipment purchased in years prior to FY 1996-97 at a cost of less than \$5,000 and with a remaining

undepreciated value is a reduction of \$191,811 in the fund balance of the property fund. WHA Radio and WLSU FM-Radio represent \$176,561 and \$15,250, respectively.

3. Deposits and Investments

Deposits - Cash and cash equivalents of \$55,752 in WHA Radio's unrestricted fund are in the custody of the State of Wisconsin Treasurer and invested through the State Investment Fund, a short-term pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees as authorized in ss. 25.14 and 25.17, Wis. Stats. The State Investment Fund is not registered with the Securities and Exchange Commission as an investment company. Investments of the State Investment Fund consist of direct obligations of the United States and Canada, securities of federally chartered corporations, unsecured notes of qualifying financial and industrial issuers, Yankee/Eurodollar issues, certificates of deposit issued by banks in the United States and solvent financial institutions in this State, and bankers acceptances.

GASB Statement 3 requires deposits and investments to be categorized to indicate the level of credit risk assumed. As of June 30, 1998, all investments and 94 percent (\$279.1 million) of the certificates of deposit held by the State Investment Fund that are required to be categorized fall under Category 1. Cash deposits in risk category 1 are insured or collateralized with securities held by the State Investment Fund or by its agent in the State Investment Fund's name. Investments in risk category 1 are insured or registered, or are held by State Investment Fund or its agent in State Investment Fund's name. The remaining 6 percent (\$17.3 million) would be considered Category 3, uncollateralized deposits.

Investments – WHA Radio's investments consisted of the following at June 30, 1998:

	<u>Carrying Fair Value</u>	<u>Cost</u>
Intermediate-Term Pooled Bond Funds	\$562,073	\$562,004
Long-Term Pooled Bond & Equity Funds	<u>31,137</u>	<u>23,266</u>
	<u>\$593,210</u>	<u>\$585,270</u>

All investments of WHA are in pooled funds and, therefore, are not required to be categorized for credit risk under GASB Statement 3.

4. Donated Facilities and Administrative Support from the University of Wisconsin

Donated facilities from the University of Wisconsin consist of physical plant operating costs of \$216,421 and occupancy costs of \$28,440 for FY 1997-98. Such contributions are recorded at the University's cost of providing them. Administrative support from the University of Wisconsin consists of allocated financial and administrative costs and certain other expenses incurred by the University on behalf of WHA Radio. Administrative support provided in FY 1997-98 totaled approximately \$903,029.

5. In-kind Contributions

In-kind contributions and donated professional services are recorded as revenue and expenses in the statement of financial activity. In-kind contributions consist primarily of donated professional services relating to programming functions. These donations are recorded at fair-market value.

Following is a schedule of in-kind contributions charged to functional expense categories for WHA Radio for FY 1997-98:

	<u>In-kind Contributions</u>
Programming and production	<u>\$83,642</u>
Total	<u>\$83,642</u>

6. Employee Retirement Plan

Permanent, full-time employees of WHA Radio are participants in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. It was established to provide retirement pension benefits for state and local government public employees at a rate influenced by (1) the employees' final average earnings, (2) years of creditable service, and (3) a formula factor. WRS 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, 1997, 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 retirement system. Prior service costs are amortized over 40 years, beginning January 2, 1990. The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. WHA Radio's contributions to the plan were \$378,680 for FY 1997-98. The relative position of WHA Radio in the Wisconsin Retirement System is not available, since the System is a statewide, multi-employer plan.

7. Changes in Deferred Support

Beginning-of-year balances	\$26,270
(-) Prior-year earned	(23,670)
+ Addition	<u>72,906</u>
End-of-year balances	<u>\$75,506</u>

8. Related Entities

WHA Radio is associated with the Wisconsin Public Radio Association (WPRa). WPRa solicits funds in the name of, and with the approval of, both WHA Radio and the Wisconsin Educational Communications Board (ECB), a network of FM-radio stations licensed to the State of Wisconsin. The station manager of WHA Radio is a member of WPRa's Board of Directors and serves as Director of Radio for the Educational Communications Board. The funds solicited by WPRa are allocated in a ratio equal to 24 percent to WHA Radio and 76 percent to ECB's Radio Network. During FY 1997-98, ECB contracted with WHA Radio for the purchase of programming to be provided to network-licensed stations and network affiliates. Net assets contractually committed for distribution to WHA Radio of \$501,562 are included on the balance sheet. Distributed contributions, undistributed contributions, and expended contributions of \$542,616, \$13,884, and \$260,416, respectively, from WPRa are recognized in the statement of financial activity.

A summary of significant financial data relating to WPRA is presented below. Such information has been audited by other auditors.

	12 Months Ended <u>June 30, 1998</u>
Revenues	\$3,406,229
Expenses	<u>3,345,964</u>
Excess of expenses over revenues	<u>\$ 60,265</u>
	<u>June 30, 1998</u>
Cash and investments	\$1,362,195
Other assets	157,182
Accounts payable	(119,075)
Restricted fund balance	<u>(153,710)</u>
Net assets contractually committed for distribution to WHA Radio and ECB	<u>\$1,246,592</u>

9. Allocation of WLSU Licensee

In September 1996, UW-La Crosse transferred primary administration of radio station WLSU-FM to UW-Extension. WLSU-FM is qualified for Community Service Grant assistance from the Corporation for Public Broadcasting. WLSU-FM and WHA Radio are both licensed to the Board of Regents of UW System. Financial transactions for WLSU-FM that had previously occurred through UW-La Crosse are now included as a part of WHA Radio's financial statements. The portion of WHA Radio's Statement of Financial Activity attributable to WLSU-FM's revenues, direct expenditures, and related allocable indirect expenditures has been identified on page 16. The remaining revenues and expenses are attributable to WHA-AM and included any unallocated amounts of WLSU-FM.

<u>Support and Revenue</u>	FY 1997-98		
	<u>Total</u>	<u>WLSU-FM</u>	<u>WHA-AM</u>
State general appropriations	\$1,421,020	\$88,512	\$1,332,508
State building trust funds	7,349	0	7,349
Donated facilities and administrative support from the University of Wisconsin	1,147,890	58,465	1,089,425
Community service grant	390,344	48,797	341,547
Other grants	2,383,125	20,037	2,363,088
In-kind contributions	83,642	0	83,642
Interest revenue	49,467	0	49,467
Telecasting, production, and other income	384,994	7,335	377,659
Donations from WPRA:			
Distributed	542,616	122,413	420,203
Undistributed	13,884	0	13,884
Expended	<u>260,416</u>	<u>0</u>	<u>260,416</u>
Total Support and Revenue	<u>\$6,684,747</u>	<u>\$345,559</u>	<u>\$6,339,188</u>

Expenses

Program Services:			
Programming and production	\$4,289,199	\$231,685	\$4,057,514
Broadcasting	286,249	13,383	272,866
Program information	<u>143,805</u>	<u>28,285</u>	<u>115,520</u>
Total Program Services	<u>4,719,253</u>	<u>273,353</u>	<u>4,445,900</u>
Support Services:			
Management and general	1,368,469	40,846	1,327,623
Fund-raising and membership	<u>606,750</u>	<u>42,840</u>	<u>563,910</u>
Total Support Services	<u>1,975,219</u>	<u>83,686</u>	<u>1,891,533</u>
Total Expenses	<u>\$6,694,472</u>	<u>\$357,039</u>	<u>\$6,337,433</u>

10. Prior-Period Corrections

FY 1996-97 financial data, presented for comparative purposes, have been restated to correct an error of \$4,445 in the FY 1991-92 statements. In addition, interest income and cash have been increased by \$84 due to an omission in FY 1996-97.

Finally, FY 1996-97 financial data were changed to separately report investments that had been previously reported as cash and cash equivalents. The following accounts were affected by these changes and have been restated by the amounts shown:

Unrestricted Fund Balance	(\$4,361)
Cash and Cash Equivalents	(\$596,437)
Investments	\$592,076
Interest Income	\$84

11. Year 2000 Compliance

Technical issues associated with the arrival of the year 2000 have the potential of disrupting certain types of business and operational activities that rely heavily on computer systems. The usage of two digits (i.e., 99) to represent the year in many older computer programs, data files, or chips may be recognized incorrectly when the year 2000 arrives. To eliminate the problem, all software, data, and hardware that relies on a two-digit field to represent the year must be converted to four digits prior to December 31, 1999.

WHA Radio has identified the applications that are most critical to its operations and are required to be year 2000 compliant. The mission-critical applications include those systems that involve WHA Radio membership and a database of volunteers.

WHA Radio is subjecting internal systems that are mission critical to the following process to address year 2000 compliance:

- Awareness Stage—identification of a project plan for dealing with year 2000 issues;
- Assessment Stage—identification of the systems and components for which year 2000 work is needed;
- Remediation Stage—modification to systems and equipment; and
- Validation/Testing Stage—validation and testing of the changes that were made during the remediation stage.

WHA Radio has completed the awareness stage. As part of the assessment stage of internal systems used for day-to-day operations, WHA Radio has identified potential year 2000 problems for two database applications that currently reside on a WANG VS: WHA Radio membership, which is used for tracking donor contributions, and a database that maintains information on volunteers. WHA Radio is in the remediation and validation stages to address the year 2000 problems. It is in the process of migrating these systems to new, year 2000-compliant applications software, which is expected to be completed by June 1999.

Most of the administrative computing used by WHA-Radio, such as for accounting, payroll, and endowment activities, is maintained by UW System or UW-Extension. They have reviewed their systems in response to a mandate from the State of Wisconsin Department of Administration and the UW System President. Neither UW System nor UW-Extension has identified year 2000 problems that would materially affect the operations of WHA Radio.

WHA Radio cannot provide absolute assurances that all year 2000 problems will be corrected by January 1, 2000, nor that all information technology systems will continue to work efficiently on January 1, 2000. There remains a possibility that some year 2000 problems will not be identified or corrected by January 1, 2000. However, WHA Radio believes that the actions it is currently completing should minimize such potential problems, especially for critical business applications.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of WHA Radio as of and for the year ended June 30, 1998, and have issued our report thereon dated February 5, 1999, which was qualified because it was not possible to obtain sufficient evidence to support WHA Radio's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards 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 generally accepted auditing standards, but not in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether WHA Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WHA Radio'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 a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of WHA Radio's management, the Wisconsin Legislature's Joint Legislative Audit Committee, and the Corporation for Public Broadcasting. This restriction is not intended to limit the distribution of this report, which, upon submission to the Joint Legislative Audit Committee, is a matter of public record.

LEGISLATIVE AUDIT BUREAU

February 5, 1999 by

Diann Allsen
Audit Director