

AN AUDIT

*Wisconsin Educational
Communications Board
Radio Network*

99-22

December 1999

1999-2000 Joint Legislative Audit Committee Members

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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 Radio Network to meet our audit requirements under s. 13.94, Wis. Stats., and as requested by the Educational Communications Board to fulfill the audit requirements of the Corporation for Public Broadcasting. The Corporation requires audited financial statements of public broadcasting entities to determine future funding levels.

The Educational Communications Board, which is an agency of the State of Wisconsin, operates a radio network of ten FM stations and one AM station, as well as a television network of five stations. The radio network received over \$6.2 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 RADIO NETWORK

We have audited the accompanying balance sheet of the Wisconsin Educational Communications Board Radio 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 did not audit the financial statements of the Wisconsin Public Radio Association, of which net assets of \$660,470 are contractually committed to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 13. Net assets and revenues of the Wisconsin Public Radio Association included in the accompanying financial statements represent 11.2 percent of the total assets and 46.1 percent of total support and revenue. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin Public Radio Association, is based solely upon the report of the other auditors.

We conducted our audit in accordance with 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. 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 the additional requirements of *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Wisconsin Educational Communications Board Radio Network and are not intended to present fairly the financial position of the State of Wisconsin 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, based upon 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 the Wisconsin Educational Communications Board Radio 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 also issue a report dated December 17, 1999, on our consideration of the Wisconsin Educational Communications Board Radio Network's internal control 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 Radio 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)	\$ 62,391	\$ 370	\$ 509,559	\$ 572,320	\$ 336,424
Investments (Note 3)	0	0	1,349,050	1,349,050	979,493
Equity in resources held by WPRA (Note 13)	0	0	660,470	660,470	745,029
Receivable - State general tax revenue	0	342,876	0	342,876	317,173
Grants and contracts receivable	0	0	0	0	2,736
Interfund receivable (payable) (Note 4)	259,911	(313)	(259,598)	0	0
Interest receivable	0	0	2,062	2,062	1,726
Other receivables	0	0	155,807	155,807	48,322
Total Current Assets	322,302	342,933	2,417,350	3,082,585	2,430,903
Noncurrent Assets:					
Receivable - State general tax revenue	0	791,949	0	791,949	830,518
Equipment (Note 5)	1,906,167	0	0	1,906,167	1,794,313
Buildings (Note 5)	48,846	0	0	48,846	52,280
Land	68,845	0	0	68,845	38,277
Total Noncurrent Assets	2,023,858	791,949	0	2,815,807	2,715,388
Total Assets	\$ 2,346,160	\$ 1,134,882	\$ 2,417,350	\$ 5,898,392	\$ 5,146,291
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 388,302	\$ 148,285	\$ 18,935	\$ 555,522	\$ 206,240
Accrued liabilities due to affiliate (Note 13)	243,448	0	618,321	861,769	381,787
Deferred support (Note 6)	0	57	39,904	39,961	48,600
Short-term capital lease payable (Note 9)	6,635	0	0	6,635	17,396
Short-term note payable (Note 8)	0	58,734	0	58,734	54,548
Wisconsin general obligation bonds payable (Note 7)	0	135,857	0	135,857	111,230
Total Current Liabilities	638,385	342,933	677,160	1,658,478	819,801
Long-term Liabilities:					
Long-term capital lease payable	0	0	0	0	7,477
Wisconsin general obligation bonds payable (Note 7)	0	791,949	0	791,949	830,518
Total Long-term Liabilities	0	791,949	0	791,949	837,995
Fund Balances:					
Designated for operations	(316,083)	0	1,740,190	1,424,107	1,603,625
Net investment in property and equipment	2,023,858	0	0	2,023,858	1,884,870
Total Fund Balances	1,707,775	0	1,740,190	3,447,965	3,488,495
Total Liabilities and Fund Balances	\$ 2,346,160	\$ 1,134,882	\$ 2,417,350	\$ 5,898,392	\$ 5,146,291

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Radio Network
Statement of Financial Activity
for the Year Ended June 30, 1999

	Unrestricted Fund	Restricted Fund	WPBF (Note 12)	Total 1998-99	Total 1997-98
Support and Revenue					
State General Appropriations	\$ 0	\$ 1,603,894	\$ 0	\$ 1,603,894	\$ 1,577,118
State Building Trust Funds	0	301,639	0	301,639	197,322
State Insurance Funds	0	1,950	0	1,950	0
Contributed Support	0	0	2,881,867	2,881,867	2,586,899
Community Services Grant - CPB	0	0	347,271	347,271	369,234
Underwriting Grants	0	0	410,947	410,947	314,860
Federal Grants	0	23,111	0	23,111	45,594
Other Grants and Contracts	143,658	(500)	145,368	288,526	176,853
In-kind Donated Services (Note 10)	0	236,890	0	236,890	228,719
Major Gifts	0	0	25,037	25,037	68,320
Investment Income	0	0	103,197	103,197	123,624
Royalties and Other Income	16,112	0	4,378	20,490	35,152
Total Support and Revenue	159,770	2,166,984	3,918,065	6,244,819	5,723,695
Expenses					
Program Services:					
Programming and production	2,536,762	208,193	44,087	2,789,042	2,509,000
Broadcasting	713,551	1,144,433	0	1,857,984	1,752,788
Program information	0	0	427,635	427,635	406,191
Total Program Services	3,250,313	1,352,626	471,722	5,074,661	4,667,979
Support Services:					
Management and general	(2,962)	449,880	136,709	583,627	497,122
Fund-raising and membership development	52,086	0	520,717	572,803	379,099
Total Support Services	49,124	449,880	657,426	1,156,430	876,221
Total Expenses	3,299,437	1,802,506	1,129,148	6,231,091	5,544,200
Excess (Deficiency) of Support and Revenue Over Expenses	\$ (3,139,667)	\$ 364,478	\$ 2,788,917	\$ 13,728	\$ 179,495
Fund Balances					
Beginning Fund Balances as Previously Reported	\$ 1,895,753	\$ 0	\$ 1,592,742	\$ 3,488,495	\$ 3,944,846
Prior-period adjustment	0	0	0	0	(71,399)
Cumulative effect of change in capitalization	0	0	0	0	(564,447)
Beginning Fund Balances as Adjusted	1,895,753	0	1,592,742	3,488,495	3,309,000
Excess (Deficiency) of Support and Revenue Over Expenses	(3,139,667)	364,478	2,788,917	13,728	179,495
Equipment transfers (to) from TV	(54,258)	0	0	(54,258)	0
Interfund donation	3,005,947	(364,478)	(2,641,469)	0	0
Fund Balances at End of Year	\$ 1,707,775	\$ 0	\$ 1,740,190	\$ 3,447,965	\$ 3,488,495

The accompanying notes are an integral part of this statement.

Wisconsin Educational Communications Board Radio Network
Statement of Cash Flows
for the Year Ended June 30, 1999

	Operating Funds	WPBF (Note 12)	Total 1998-99	Total 1997-98
Cash Flows from Operating Activities				
Excess (Deficiency) of Revenues Over Expenses	\$ (2,775,189)	\$ 2,788,917	\$ 13,728	\$ 179,495
Adjustments to Reconcile Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Unrealized (gain) loss on investments	0	(52,578)	(52,578)	(45,889)
Realized (gain) loss on investments	0	(70,192)	(70,192)	(7,408)
Depreciation	178,915	0	178,915	168,302
Loss on disposal of fixed assets	544	0	544	30,795
Changes in Cash Due to:				
Decrease (increase) in receivable - State general tax revenue	(25,703)	0	(25,703)	(23,726)
Decrease (increase) in grants and contracts receivable	500	2,236	2,736	32,434
Decrease (increase) in interest receivable	0	(336)	(336)	7,488
Decrease (increase) in other receivables	48,322	(155,807)	(107,485)	57,730
Increase (decrease) in accounts payable and accrued expenses	331,324	17,958	349,282	(30,568)
Increase (decrease) in accrued liabilities due affiliate	243,448	236,534	479,982	381,787
Increase (decrease) in deferred support	0	(8,639)	(8,639)	11,371
Change in interfund receivable/payable	(219,016)	219,016	0	0
Net Cash Provided (Used) by Operating Activities	<u>(2,216,855)</u>	<u>2,977,109</u>	<u>760,254</u>	<u>761,811</u>
Cash Flows from Noncapital Financing Activities				
Interfund Donations	<u>2,641,469</u>	<u>(2,641,469)</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Property and Equipment	(372,705)	0	(372,705)	(346,580)
Increase (Decrease) in Capital Lease Payable	(18,238)	0	(18,238)	24,873
Increase (Decrease) in Note Payable	4,186	0	4,186	54,548
Increase (Decrease) in Wisconsin General Obligation Bonds Payable	24,627	0	24,627	(63,639)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(362,130)</u>	<u>0</u>	<u>(362,130)</u>	<u>(330,798)</u>
Cash Flows from Investing Activities				
Net proceeds from Sale, Maturity, or (Purchase) of Investments	0	(246,787)	(246,787)	(297,543)
Equity in Resources Held by WPRA	0	84,559	84,559	(43,967)
Net Cash Provided (Used) by Investing Activities	<u>0</u>	<u>(162,228)</u>	<u>(162,228)</u>	<u>(341,510)</u>
Increase (Decrease) in Cash and Equivalents	62,484	173,412	235,896	89,503
Cash and Cash Equivalents				
Beginning of Year	<u>277</u>	<u>336,147</u>	<u>336,424</u>	<u>246,921</u>
End of Year	<u>\$ 62,761</u>	<u>\$ 509,559</u>	<u>\$ 572,320</u>	<u>\$ 336,424</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 radio network consisting of 11 public radio stations. ECB also operates a network of five television stations. These financial statements include the accounts relating to the ECB Radio Network. Separate accounts for the radio and television networks are maintained by direct charging whenever possible. All general organization transactions are distributed by an appropriate allocation system.

The accounts of the radio and television networks 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 regarding WPBF.

ECB Radio Network financial statements also include an equity interest in the Wisconsin Public Radio Association (WPRA), a not-for-profit corporation that collects funds for public radio and provides support to the ECB radio network and to WHA-Radio. See Note 13 for further information regarding WPRA.

- B. Basis of Presentation - The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). As permitted by GASB, ECB Radio Network follows the American Institute of Certified Public Accountants (AICPA) Not-for-Profit model, which includes the accounting and financial reporting principles contained in AICPA's Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements. In addition, the accompanying financial statements are 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 CPB's Supplemental Guide (1996 ed.)

- C. Fund Accounting - The assets, liabilities, and fund balances of ECB are reported in one self-balancing fund group. Operating funds include unrestricted, restricted, and WPBF resources that are available for support of the ECB Radio Network's operations. The funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting.
- D. Revenue Recognition - Contributions and grants that are unrestricted are recorded as support in the statement of activity when ECB is entitled to them. Restricted revenues are recorded as support in the statement of activity when the purpose for which the resources was provided has been accomplished. Revenue is recognized for pledged WPRA contributions that are expected to be collected within one year. Non-cash contributions are recognized as revenues in the period of receipt, according to guidance outlined in *CPB Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.
- E. 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.
- F. Allocation of Functional Expenses - Expenses are classified in functional categories. Expenses that relate to more than one category are allocated to the respective categories, using estimates if necessary.
- G. Cash and Cash Equivalents - Cash and cash equivalents in the Radio Network's unrestricted and restricted 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 Foundation fund include cash deposits with financial institutions.
- H. Valuation of Investments - All investments of the Foundation related to the Radio Network are carried at fair value based on quoted market prices. State Investment Fund shares are valued at amortized cost, which approximates fair value. As of June 30, 1999, the fair value of these pool shares was 99.45 percent of carrying value.
- I. Property and Equipment - Items classified as permanent property are recorded at cost or, for donated property, at the estimated fair-market value on 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.

- J. Employee Compensated Absences - Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System are also accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay.
- K. Prior-Year Financial Statements - The financial information shown for fiscal year (FY) 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 property and equipment was increased from \$500 to \$5,000, and the cumulative effect of \$564,447 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 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.

In FY 1998-99 the equity interest in WPRA and related support and expenses are presented as line items in the WPBF column, in contrast to prior-year presentation in a separate column. In FY 1997-98, the accounts of WPRA and WPBF were combined with the accounts of ECB Radio and presented in separate columns in the ECB Radio financial statements. Combination of ECB Radio and WPRA accounts is not required under generally accepted accounting principles, as ECB shares the ability to determine the direction of WPRA management and policies with its affiliate, WHA Radio. In FY 1998-99, ECB changed its presentation to better reflect its interrelationship with WPRA. These presentation changes affect the form of reporting but do not affect the substance of the data. Similar changes in presentation were made to prior-year data, included for comparative purposes, for consistency.

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 Radio Network are managed by private trust companies. Interest earnings are income to WPBF and are not transferred to the State of Wisconsin.

- A. Deposits - GASB Statement 3 requires deposits with financial institutions to be categorized to indicate the level of credit risk assumed 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 Radio Network deposits with financial institutions was \$509,559, and the bank balance was \$545,895. Deposits of up to \$100,000 at each financial institution are covered by the Federal Deposit Insurance Corporation (FDIC). Of the bank balance, \$200,000 was insured and, therefore, classified in risk category 1; \$345,895 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 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	\$ (2,515)	\$ 0
Money Market Funds	512,074	0
State Investment Fund	62,761	0
Stocks	0	856,513
Bonds	<u>0</u>	<u>492,537</u>
Total	<u>\$572,320</u>	<u>\$1,349,050</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 fiscal 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 \$2,067,969 for equipment and \$27,472 for buildings.

6. Changes in Deferred Support

	<u>Deferred Support</u>
FY Beginning Balance	\$48,600
(-) Prior Year Earned	(45,444)
(+) Additions	<u>36,805</u>
FY Ending Balance	<u>\$39,961</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 \$45,060 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 \$107,901 is not included. The changes in the long-term liability are as follows:

General Obligation Bonds Payable as of 6/30/98	\$ 830,518
Bond Refunding	(93,943)
New Issuances	191,231
Reclassified as Current—Bonds Payable	<u>(135,857)</u>
General Obligation Bonds Payable as of 6/30/99	<u>\$ 791,949</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	\$135,857	\$ 50,806	\$ 186,663
2001	111,126	42,320	153,446
2002	75,645	36,511	112,156
2003	60,161	32,582	92,743
2004	56,527	29,601	86,128
Thereafter	<u>488,490</u>	<u>173,242</u>	<u>661,732</u>
Total	<u>\$927,806</u>	<u>\$365,062</u>	<u>\$1,292,868</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 \$52,484, and 1998 Series B for \$6,250. 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. Following is an analysis of the assets leased under capital leases as of June 30, 1999:

Unrestricted Fund	
Equipment	\$40,598
Less: Accumulated Depreciation	<u>(12,179)</u>
Carrying Amount	<u>\$28,419</u>

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		\$7,635
Less: Executory Costs	483	
Interest	<u>517</u>	<u>1,000</u>
Present Value of Minimum Lease Payments		<u>\$6,635</u>

10. Restricted Revenue

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

Appropriated funds are reported only to the extent expended. As explained in Note 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 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 \$19,048 in donated professional services, \$173,738 in donated general operational services, and \$44,104 in donated instructional radio services. These contributions are recognized as revenue and expense 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, full-time employees of the ECB Radio Network are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by Chapter 40 of the Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employees' 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 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 Radio Network's contribution to the plan was \$151,781 for FY 1998-99 and \$154,431 for FY 1997-98. The relative position of the ECB Radio Network in the Wisconsin Retirement System is not available because the system is statewide, multi-employer plan.

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

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

	<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. Related Entities

- A. WHA Radio - WHA Radio is a public telecommunications entity operated by the University of Wisconsin (UW)-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed 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.

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

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

		<u>FY 1998-99</u>
Equity in Resources Held by WPRA		\$ 660,470
Contributed Support		2,881,867
Expenses:		
Program Information	\$427,635	
Management and General	89,616	
Fund-raising and Membership		
Development	<u>485,648</u>	1,002,899

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

	Fiscal Year Ended <u>June 30, 1999</u>
Revenues	\$3,795,652
Expenses	<u>3,894,790</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (99,138)</u>
	<u>June 30, 1999</u>
Current Assets	977,850
Endowment	244,909
Long-term Investments	223,470
Accounts Payable	(145,065)
Restricted Fund Balance	<u>(157,432)</u>
Net Assets Contractually Committed for Distribution to ECB and WHA Radio	<u>\$1,143,732</u>

14. 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 Radio. ECB collects carriage fees and underwriting revenues for both ECB and WHA Radio and remits WHA Radio'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 Radio. 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 \$71,399, and support and revenue has been decreased by \$310,388. The net effect of the prior-period correction is to reduce the unrestricted fund balance at June 30, 1998 by \$381,787.

15. WHAD-FM Allocation

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

Fiscal Year 1998-99	ECB-Radio Total	WHAD-FM and Affiliates	WERN and Affiliates
Support and Revenue			
State General Appropriations	\$ 1,603,894	\$ 444,743	\$ 1,159,151
State Building Trust Funds	301,639	33,668	267,971
State Insurance Funds	1,950	0	1,950
Contributed Support	2,881,867	535,952	2,345,915
Community Service Grant - CPB	347,271	80,342	266,929
Underwriting Grants	410,947	240,013	170,934
Federal Grants	23,111	11,556	11,555
Other Grants and Contracts	288,526	45,444	243,082
In-kind Donated Services	236,890	0	236,890
Major Gifts	25,037	0	25,037
Investment Income	103,197	0	103,197
Royalties and Other Income	20,490	23,151	(2,661)
Total Support and Revenue	<u>\$ 6,244,819</u>	<u>\$ 1,414,869</u>	<u>\$ 4,829,950</u>
Expenses			
Program Services:			
Programming and production	\$ 2,789,042	\$ 901,751	\$ 1,887,291
Broadcasting	1,857,984	352,482	1,505,502
Program information	427,635	0	427,635
Total Program Services	<u>5,074,661</u>	<u>1,254,233</u>	<u>3,820,428</u>
Support Services:			
Management and general	583,627	160,636	422,991
Fund-raising and membership development	572,803	0	572,803
Total Support Services	<u>1,156,430</u>	<u>160,636</u>	<u>995,794</u>
Total Expenses	<u>\$ 6,231,091</u>	<u>\$ 1,414,869</u>	<u>\$ 4,816,222</u>

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.
