

An Audit

Wisconsin Educational Communications Board Radio Network

2007-2008 Joint Legislative Audit Committee Members

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Janice Mueller
State Auditor

December 19, 2008

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Mr. Gene Purcell, Executive Director
Educational Communications Board
3319 West Beltline Highway
Madison, Wisconsin 53713

Dear Senator Sullivan, Representative Jeskewitz, and Mr. Purcell:

We have completed a financial audit of the State of Wisconsin Educational Communications Board (ECB) Radio Network to meet our audit requirements under s. 13.94, Wis. Stats., and as requested by ECB 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.

ECB, which is an agency of the State of Wisconsin, operates a radio network of 13 FM stations and 1 AM station, as well as a television network of 5 digital stations and 5 analog stations. The ECB Radio Network reported \$9.2 million in support and revenue during fiscal year (FY) 2007-08, including state support, member contributions, funding from the Corporation for Public Broadcasting, and various other grants.

Our audit report contains the ECB Radio Network's financial statements and related notes as of and for the periods ending June 30, 2008, and June 30, 2007. We were able to issue an unqualified independent auditor's report on these statements.

We appreciate the courtesy and cooperation extended to us by ECB staff during the audit.

Respectfully submitted,

Janice Mueller
State Auditor

JM/DA/ss

Audit Opinion ■

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

We have audited the accompanying Balance Sheets of the Wisconsin Educational Communications Board Radio Network's Operating Fund and the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund as of June 30, 2008 and 2007, and the related Statements of Revenues, Expenses, and Changes in Fund Net Assets and Statements of Cash Flows for the years 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 audits. We did not audit the financial statements of the Wisconsin Public Radio Association, Inc., of which net assets of \$775,872 as of June 30, 2008, and \$1,064,921 as of June 30, 2007, are allocated to the Educational Communications Board and are reflected in the accompanying financial data contained in Note 14B. Assets and revenues of the Wisconsin Public Radio Association, Inc., included in the accompanying financial statements represent 6.0 percent and 9.0 percent of the ECB Radio Network's total assets as of June 30, 2008, and June 30, 2007, respectively, and 47.8 percent and 48.6 percent of the ECB Radio Network's total revenue during fiscal years 2007-08 and 2006-07, respectively. The financial statements of the Wisconsin Public Radio Association, Inc., 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, Inc., is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free of

material misstatement. The financial statements of the Wisconsin Public Radio Association, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, 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 audits and the report of the other auditors provide a reasonable basis for our opinion.


As discussed in Note 1, the financial statements referred to in the first paragraph present only the Wisconsin Educational Communications Board Radio Network and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based upon our audits and the report of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial positions of the Wisconsin Educational Communications Board Radio Network's Operating Fund and the Wisconsin Public Broadcasting Foundation, Inc.'s Radio Fund as of June 30, 2008 and 2007, and the respective changes in their financial positions and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Wisconsin Educational Communications Board Radio Network. The supplementary information included as Management's Discussion and Analysis on pages 5 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements referred to in the first paragraph. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2008, on our consideration of the Wisconsin Educational Communications Board's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

December 9, 2008

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director

Management's Discussion and Analysis ■

Prepared by Educational Communications Board Management

The Management's Discussion and Analysis (MD&A) section is prepared by the Educational Communications Board's (ECB's) management and is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement Number 34. The MD&A provides the reader with general information on the financial activities of ECB and the Wisconsin Public Broadcasting Foundation, Inc. (WPBF).

ECB is an agency of the State of Wisconsin that operates a public television network of 5 digital stations and 5 analog stations, as well as a public radio network of 13 FM stations (9 of the FM sites are currently broadcasting a digital radio signal in addition to analog) and 1 AM station. ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. WPBF was organized by ECB under s. 39.12 and ch. 181, Wis. Stats., on September 29, 1983, for the exclusive purpose of raising funds for the Wisconsin educational television and radio networks.

Following this section are the financial statements and notes as they relate to the ECB Radio Network. The Balance Sheets provide information on the assets and the liabilities of the ECB Radio Network, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the ECB Radio Network's financial position is improving or deteriorating. The Statements of Revenues, Expenses, and Changes in Fund Net Assets and the Statements of Cash Flows provide information on income and expenses and cash activities. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

6 ■ ■ ■ ■ MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed financial information relating to the ECB Radio Network as of and for the fiscal years ended June 30, 2008, June 30, 2007, and June 30, 2006, is as follows:

ECB Radio Network Condensed Financial Information

	June 30, 2008	Change from Previous Year	June 30, 2007	Change from Previous Year	June 30, 2006
Capital Assets	\$7,790,438	8%	\$7,183,806	6%	\$ 6,766,823
Other Assets	5,557,310	11	4,986,982	3	4,820,035
Total Assets	<u>13,347,748</u>		<u>12,170,788</u>		<u>11,586,858</u>
Current Liabilities	1,755,306	74	1,006,276	(27)	1,372,022
Noncurrent Liabilities	203,383	(1)	205,850	5	195,429
Total Liabilities	<u>1,958,689</u>		<u>1,212,126</u>		<u>1,567,451</u>
Invested in Capital Assets, Net of Related Debt	7,669,569	9	7,056,545	6	6,633,459
Restricted by Grants or Donors	87,455	(9)	95,843	(8)	104,725
Unrestricted	3,632,035	(5)	3,806,274	16	3,281,223
Total Net Assets	<u>\$11,389,059</u>		<u>\$10,958,662</u>		<u>\$10,019,407</u>

	FY 2007-08	Change from Previous Year	FY 2006-07	Change from Previous Year	FY 2005-06
Operating Revenues	\$6,554,577	4%	\$6,325,739	4%	\$6,088,346
Operating Expenses	8,512,342	10	7,731,197	(4)	8,059,030
Net Operating Loss	(1,957,765)		(1,405,458)		(1,970,684)
Nonoperating Revenues (Expenses)	1,467,484	(21)	1,852,227	33	1,392,705
Capital Contributions	920,678	87	492,486	(57)	1,151,989
Changes in Net Assets	<u>\$ 430,397</u>		<u>\$ 939,255</u>		<u>\$ 574,010</u>

Under governmental accounting standards, State of Wisconsin General Fund revenues, which are a significant source of funding for the ECB Radio Network, are reported as nonoperating revenues. The result of this accounting treatment is a reported loss in operating income. This loss is offset by nonoperating revenues, primarily State of Wisconsin General Fund revenues and capital contributions, resulting in an increase in net assets.

ECB Radio Network's capital assets of \$7.8 million as of June 30, 2008, are presented at historical cost less depreciation. Capital assets increased 8 percent in fiscal year

(FY) 2007-08, primarily due to construction of new high definition radio transmission facilities. ECB received increased funding for these projects from the State Building Trust Fund and the Corporation for Public Broadcasting. Capital assets increased 6 percent in FY 2006-07, due to construction of a new radio station on Platte Mound and installation of an alarm and control system with a grant received from the U.S. Department of Commerce.

ECB Radio Network's share of the replacement cost of buildings and equipment, using the Builder's Cost Index, is over \$19 million. The replacement cost of the combined statewide public television and radio networks is approximately \$60 million.

In FY 2007-08, an increase in contributions and grants was the primary cause of an increase in the value of other assets by 11 percent. Realized gains on investments contributed to a net increase of 3 percent in other assets in FY 2006-07.

The increase of current liabilities by 74 percent in FY 2007-08 and their decrease of 27 percent in FY 2006-07 are due to the timing of invoicing by vendors. The value of noncurrent liabilities decreased by 1 percent in FY 2007-08 and increased by 5 percent in FY 2006-07 to reflect variations in the amount due to employees for compensated absences.

Operating revenues increased by 4 percent in FY 2007-08 and 4 percent in FY 2006-07 due to an increase in contributions from individuals and program underwriting. Operating expenses increased by 10 percent in FY 2007-08 and decreased by 4 percent in FY 2006-07 due to normal variation in activities.

Nonoperating revenues consist of investment earnings and losses, both realized and unrealized, and gain or loss on disposal of assets. In accordance with GASB 34, nonoperating revenues also include financial support from the State of Wisconsin General Fund. Nonoperating revenues and expenses overall had a decrease of 21 percent in FY 2007-08 and an increase of 33 percent in FY 2006-07. These changes were primarily due to changes in investment income that corresponded to changes in market conditions.

Capital contributions increased significantly in FY 2007-08. This reflects one-time funding for construction of high definition radio transmission facilities in FY 2007-08 from the State Building Trust Fund and the Corporation for Public Broadcasting. Capital contributions decreased significantly in FY 2006-07, in comparison to FY 2005-06, due to completion of the construction of the digital operations center. The net results of all operations for the year are summarized in the line titled Changes in Net Assets.

This financial report is designed to provide a general overview of ECB's finances related to public radio. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to gene.purcell@ecb.org or to ECB in care of the Executive Director, 3319 West Beltline Highway, Madison, WI 53713-4296.

General information relating to ECB can be found at its Web site, www.ecb.org.

Financial Statements ■

Balance Sheet

June 30, 2008

	Operating Fund	WPBF (Note 13)	Total June 30, 2008
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 1D and 2)	\$ 579,411	\$ 1,947,783	\$ 2,527,194
Investments (Notes 1E and 2)	0	2,371,462	2,371,462
Receivable—state general appropriations (Note 1F)	90,471	0	90,471
Grants and contracts receivable	112,800	0	112,800
Pledges receivable	0	206,065	206,065
Interfund receivable (payable) (Note 3)	8,000	(8,000)	0
Interest receivable	0	8,200	8,200
Other receivables	6,754	11,560	18,314
Prepaid expenses (Note 6)	140,291	10,695	150,986
Inventory	0	5,985	5,985
Total Current Assets	<u>937,727</u>	<u>4,553,750</u>	<u>5,491,477</u>
Noncurrent Assets:			
Prepaid expenses (Note 6)	65,833	0	65,833
Land (Note 4)	85,518	0	85,518
Buildings, net of accumulated depreciation (Note 4)	2,541,959	0	2,541,959
Equipment, net of accumulated depreciation (Note 4)	5,133,573	29,388	5,162,961
Total Noncurrent Assets	<u>7,826,883</u>	<u>29,388</u>	<u>7,856,271</u>
TOTAL ASSETS	<u>\$ 8,764,610</u>	<u>\$ 4,583,138</u>	<u>\$ 13,347,748</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 732,136	\$ 27,017	\$ 759,153
Accrued liabilities due to affiliates	642,325	344,514	986,839
Deferred revenue	0	2,420	2,420
Bonds payable (Note 7)	6,894	0	6,894
Total Current Liabilities	<u>1,381,355</u>	<u>373,951</u>	<u>1,755,306</u>
Noncurrent Liabilities:			
Compensated absences payable (Note 5)	89,408	0	89,408
Bonds payable (Notes 5 and 7)	113,975	0	113,975
Total Noncurrent Liabilities	<u>203,383</u>	<u>0</u>	<u>203,383</u>
Net Assets:			
Invested in capital assets, net of related debt paid by ECB	7,640,181	29,388	7,669,569
Restricted by grants or donors (Note 1I)	59,457	27,998	87,455
Unrestricted	(519,766)	4,151,801	3,632,035
Total Net Assets	<u>7,179,872</u>	<u>4,209,187</u>	<u>11,389,059</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,764,610</u>	<u>\$ 4,583,138</u>	<u>\$ 13,347,748</u>

The accompanying notes are an integral part of this statement.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the Year Ended June 30, 2008**

	Operating Fund	WPBF (Note 13)	Total FY 2007-08
OPERATING REVENUES			
Contributed Support (Notes 1B and 14B)	\$ 0	\$ 4,188,499	\$ 4,188,499
Corporation for Public Broadcasting Grants	0	643,349	643,349
Underwriting Grants	0	762,497	762,497
Other Grants and Contracts	307,739	16,320	324,059
Major Gifts	0	46,493	46,493
Contributed In-Kind Support (Note 10)	333,342	15,556	348,898
Royalties and Other Income	97,120	143,662	240,782
Total Operating Revenues	738,201	5,816,376	6,554,577
OPERATING EXPENSES			
Program Services:			
Programming and production	4,488,122	96,736	4,584,858
Broadcasting	2,445,359	424	2,445,783
Program information	0	153,716	153,716
Total Program Services	<u>6,933,481</u>	<u>250,876</u>	<u>7,184,357</u>
Support Services:			
Management and general	621,656	115,772	737,428
Fund-raising and membership development	55,962	533,305	589,267
Underwriting	1,290	0	1,290
Total Support Services	<u>678,908</u>	<u>649,077</u>	<u>1,327,985</u>
Total Operating Expenses	7,612,389	899,953	8,512,342
OPERATING INCOME (LOSS)	(6,874,188)	4,916,423	(1,957,765)
NONOPERATING REVENUES (EXPENSES)			
State General Fund Revenue for Operations	1,743,778	0	1,743,778
Loss on Disposal of Capital Assets	(34,225)	0	(34,225)
Capital Debt Interest Expense (Note 7)	(251,577)	0	(251,577)
State Insurance Funds	1,486	0	1,486
Investment Income	0	8,022	8,022
Total Nonoperating Revenues (Expenses)	1,459,462	8,022	1,467,484
Income (Loss) Before Capital Contributions and Transfers	(5,414,726)	4,924,445	(490,281)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions (Note 9)	920,678	0	920,678
Interfund Transfers (Note 3)	4,915,608	(4,915,608)	0
CHANGE IN NET ASSETS	421,560	8,837	430,397
Total Net Assets—Beginning of the Year	6,758,312	4,200,350	10,958,662
Total Net Assets—End of the Year	<u>\$ 7,179,872</u>	<u>\$ 4,209,187</u>	<u>\$ 11,389,059</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2008

	Operating Fund	WPBF (Note 13)	Total FY 2007-08
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed Support	\$ 0	\$ 5,007,859	\$ 5,007,859
Receipts from Grants	502,739	463,645	966,384
Receipts from Royalties and Other Income	108,639	132,102	240,741
Payments to Suppliers	(4,390,116)	(710,502)	(5,100,618)
Payments to Employees	(1,441,967)	0	(1,441,967)
Net Cash Provided (Used) by Operating Activities	(5,220,705)	4,893,104	(327,601)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from State Government	1,728,501	0	1,728,501
Interfund Transfers	4,913,608	(4,913,608)	0
Net Cash Provided (Used) for Noncapital Financing Activities	6,642,109	(4,913,608)	1,728,501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	612,878	0	612,878
Purchases of Capital Assets	(1,297,946)	0	(1,297,946)
Principal Paid on Capital Debt	(6,392)	0	(6,392)
Interest Paid on Capital Debt	(251,577)	0	(251,577)
Net Cash Provided (Used) by Capital and Related Financing Activities	(943,037)	0	(943,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases, Sales, and Maturities of Investments	0	801,122	801,122
Interest and Dividends	0	149,832	149,832
Net Cash Provided by (Used for) Investing Activities	0	950,954	950,954
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	478,367	930,450	1,408,817
Balances—Beginning of the Year	101,044	1,017,333	1,118,377
Balances—End of the Year	<u>\$ 579,411</u>	<u>\$ 1,947,783</u>	<u>\$ 2,527,194</u>

The accompanying notes are an integral part of this statement.



	<u>Operating Fund</u>	<u>WPBF (Note 13)</u>	<u>Total FY 2007-08</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (6,874,188)	\$ 4,916,423	\$ (1,957,765)
Adjustments to Reconcile Operating Income (Loss) to Net			
Cash Provided by Operating Activities:			
Depreciation expense	647,808	9,281	657,089
Change in assets and liabilities:			
Receivables, net	206,519	(1,190)	205,329
Inventories	0	2,505	2,505
Prepaid expense	1,271	11,015	12,286
Deferred revenue	0	(196,024)	(196,024)
Accounts and other payables	797,885	151,094	948,979
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,220,705)</u>	<u>\$ 4,893,104</u>	<u>\$ (327,601)</u>

Noncash Activities:

Contributed in-kind support totaled \$348,898.

The net decrease in the fair value of investments was \$194,826.

ECB disposed of miscellaneous equipment as scrap. The undepreciated cost of the disposed equipment was reported as a loss of \$34,225.

Balance Sheet

June 30, 2007

	Operating Fund	WPBF (Note 13)	Total June 30, 2007
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 1D and 2)	\$ 101,044	\$ 1,017,333	\$ 1,118,377
Investments (Notes 1E and 2)	0	3,319,687	3,319,687
Receivable—state general appropriations (Note 1F)	73,708	0	73,708
Pledges receivable	0	216,435	216,435
Interfund receivable (payable) (Note 3)	6,000	(6,000)	0
Interest receivable	0	2,907	2,907
Other receivables	18,273	0	18,273
Prepaid expenses (Note 6)	136,562	21,710	158,272
Inventory	0	8,490	8,490
Total Current Assets	<u>335,587</u>	<u>4,580,562</u>	<u>4,916,149</u>
Noncurrent Assets:			
Prepaid expenses (Note 6)	70,833	0	70,833
Land (Note 4)	85,518	0	85,518
Buildings, net of accumulated depreciation (Note 4)	2,705,268	0	2,705,268
Equipment, net of accumulated depreciation (Note 4)	4,354,351	38,669	4,393,020
Total Noncurrent Assets	<u>7,215,970</u>	<u>38,669</u>	<u>7,254,639</u>
TOTAL ASSETS	<u>\$ 7,551,557</u>	<u>\$ 4,619,231</u>	<u>\$ 12,170,788</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 202,494	\$ 22,267	\$ 224,761
Accrued liabilities due to affiliates	378,509	198,170	576,679
Deferred revenue	0	198,444	198,444
Bonds payable (Note 7)	6,392	0	6,392
Total Current Liabilities	<u>587,395</u>	<u>418,881</u>	<u>1,006,276</u>
Noncurrent Liabilities:			
Compensated absences payable (Note 5)	84,981	0	84,981
Bonds payable (Notes 5 and 7)	120,869	0	120,869
Total Noncurrent Liabilities	<u>205,850</u>	<u>0</u>	<u>205,850</u>
Net Assets:			
Invested in capital assets, net of related debt paid by ECB	7,017,876	38,669	7,056,545
Restricted by grants or donors (Note 1I)	67,421	28,422	95,843
Unrestricted	(326,985)	4,133,259	3,806,274
Total Net Assets	<u>6,758,312</u>	<u>4,200,350</u>	<u>10,958,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,551,557</u>	<u>\$ 4,619,231</u>	<u>\$ 12,170,788</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended June 30, 2007

	Operating Fund	WPBF (Note 13)	Total FY 2006-07
OPERATING REVENUES			
Contributed Support (Notes 1B and 14B)	\$ 0	\$ 3,990,699	\$ 3,990,699
Corporation for Public Broadcasting Grants	0	617,997	617,997
Underwriting Grants	0	727,398	727,398
Other Grants and Contracts	295,838	0	295,838
Major Gifts	0	111,657	111,657
Contributed In-Kind Support (Note 10)	312,693	0	312,693
Royalties and Other Income	113,525	155,932	269,457
Total Operating Revenues	722,056	5,603,683	6,325,739
OPERATING EXPENSES			
Program Services:			
Programming and production	4,276,539	81,679	4,358,218
Broadcasting	2,064,750	0	2,064,750
Program information	0	147,583	147,583
Total Program Services	<u>6,341,289</u>	<u>229,262</u>	<u>6,570,551</u>
Support Services:			
Management and general	485,548	110,120	595,668
Fund-raising and membership development	55,425	504,095	559,520
Underwriting	1,247	4,211	5,458
Total Support Services	<u>542,220</u>	<u>618,426</u>	<u>1,160,646</u>
Total Operating Expenses	6,883,509	847,688	7,731,197
OPERATING INCOME (LOSS)	(6,161,453)	4,755,995	(1,405,458)
NONOPERATING REVENUES (EXPENSES)			
State General Fund Revenue for Operations	1,660,405	0	1,660,405
Loss on Disposal of Capital Assets	(22,594)	0	(22,594)
Capital Debt Interest Expense (Note 7)	(220,504)	0	(220,504)
Investment Income	0	434,920	434,920
Total Nonoperating Revenues (Expenses)	1,417,307	434,920	1,852,227
Income (Loss) Before Capital Contributions and Transfers	(4,744,146)	5,190,915	446,769
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions (Note 9)	492,486	0	492,486
Interfund Transfers (Note 3)	5,225,103	(5,225,103)	0
CHANGE IN NET ASSETS	973,443	(34,188)	939,255
Total Net Assets—Beginning of the Year	5,784,869	4,234,538	10,019,407
Total Net Assets—End of the Year	<u>\$ 6,758,312</u>	<u>\$ 4,200,350</u>	<u>\$ 10,958,662</u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows for the Year Ended June 30, 2007

	Operating Fund	WPBF (Note 13)	Total FY 2006-07
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributed Support	\$ 0	\$ 4,834,621	\$ 4,834,621
Receipts from Grants	321,198	808,022	1,129,220
Receipts from Royalties and Other Income	99,425	176,825	276,250
Payments to Suppliers	(5,141,364)	(804,703)	(5,946,067)
Payments to Employees	(1,432,040)	0	(1,432,040)
Net Cash Provided (Used) by Operating Activities	(6,152,781)	5,014,765	(1,138,016)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from State Government	1,664,801	0	1,664,801
Interfund Transfers	5,225,103	(5,225,103)	0
Net Cash Provided (Used) for Noncapital Financing Activities	6,889,904	(5,225,103)	1,664,801
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	547,246	0	547,246
Purchases of Capital Assets	(956,718)	(46,347)	(1,003,065)
Principal Paid on Capital Debt	(6,103)	0	(6,103)
Interest Paid on Capital Debt	(220,504)	0	(220,504)
Net Cash Provided (Used) by Capital and Related Financing Activities	(636,079)	(46,347)	(682,426)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Purchases, Sales, and Maturities of Investments	0	(650,239)	(650,239)
Interest and Dividends	0	193,159	193,159
Net Cash Used for Investing Activities	0	(457,080)	(457,080)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,044	(713,765)	(612,721)
Balances—Beginning of the Year	0	1,731,098	1,731,098
Balances—End of the Year	<u>\$ 101,044</u>	<u>\$ 1,017,333</u>	<u>\$ 1,118,377</u>

The accompanying notes are an integral part of this statement.

	<u>Operating Fund</u>	<u>WPBF (Note 13)</u>	<u>Total FY 2006-07</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (6,161,453)	\$ 4,755,995	\$ (1,405,458)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation expense	555,810	7,678	563,488
Change in assets and liabilities:			
Receivables, net	11,260	25,760	37,020
Inventories	0	(3,324)	(3,324)
Prepaid expense	1,535	17,945	19,480
Deferred revenue	0	190,025	190,025
Accounts and other payables	(559,933)	20,686	(539,247)
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,152,781)</u>	<u>\$ 5,014,765</u>	<u>\$ (1,138,016)</u>

Noncash Activities:

Contributed in-kind support totaled \$312,693.

The net decrease in the fair value of investments was \$77,590.

ECB disposed of miscellaneous equipment as scrap. The undepreciated cost of the disposed equipment was reported as a loss of \$22,594.

Notes to the Financial Statements ■

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Educational Communications Board (ECB) is an agency of the State of Wisconsin that operates a public radio network of 13 FM stations (9 of the FM sites are currently broadcasting a digital radio signal in addition to analog) and 1 AM station, as well as a public television network of 5 digital stations and 5 analog stations. ECB also operates 3 FM translators, 6 TV translators, a network of 26 weather service broadcast sites, and multiple Educational Broadband Service licenses. These financial statements include the accounts relating to the ECB Radio Network only. 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.

ECB Radio Network financial statements are combined with the Radio Fund of the Wisconsin Public Broadcasting Foundation, Inc. (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 13 for further information regarding WPBF.

ECB Radio Network financial statements also include, in the WPBF fund, ECB's allocated share of the assets, liabilities, revenues, and expenses of the Wisconsin Public Radio Association, Inc. (WPRA), a not-for-profit corporation that collects funds for Wisconsin Public Radio and

provides support to the ECB Radio Network and to some University of Wisconsin (UW) Board of Regents' licensed stations. See Note 14B 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). ECB has not applied Financial Accounting Standards Board pronouncements issued after November 30, 1989. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Revenues from government-mandated or voluntary nonexchange transactions, such as contributions and grants, are recognized when all applicable eligibility requirements are met. Eligibility requirements are established by the provider of the funds and may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies. Restrictions that specify the purpose for which resources are required to be used are not considered eligibility requirements and do not affect when a nonexchange revenue is recognized.

Contributions, gifts, and grants that do not have eligibility requirements are reported as revenue when ECB is entitled to the funds. Revenue is recognized for pledged WPRA contributions that are expected to be collected within one year at their net realizable value. Contributions, gifts, and grants with eligibility requirements, such as expenditure-driven grants, are recognized when the eligibility requirements are met. Noncash contributions and donated services are recognized as revenues in the period of receipt.

Operating revenues and expenses are directly related to programming, production, development, and delivery of telecommunication services. Nonoperating revenues and expenses, such as investment income, are indirectly associated with programming, production, development, and delivery of telecommunication services. Certain significant revenue streams, such as State of Wisconsin General Fund revenue, are reported as nonoperating revenue, as defined by GASB Statement Number 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Expenses are categorized in functional categories. Expenses that relate to more than one category are allocated to their respective categories, using estimates if necessary. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

C. Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For example, broadcasting expenses and administrative expenses are allocated between the television and radio networks based upon historical costs. Whenever possible, actual costs are applied; however, the actual results may differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents in the ECB Radio Network's operating fund include cash balances deposited with the State 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 and the ECB Radio Network's share of WPRA cash.

E. Valuation of Investments

Investments are carried at fair-market value based on quoted market prices. State Investment Fund shares are valued at fair-market value.

F. Receivable—State General Appropriations

The portion of liabilities to be financed with amounts appropriated by the State of Wisconsin for the fiscal year is reported as a receivable as of the fiscal year-end.

G. Property and Equipment

Buildings, equipment, and land classified as permanent property are recorded at cost or, for donated property, at the estimated fair-market value at the date of receipt. Assets are capitalized if their acquisition value is in excess of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 6 years for computer equipment to 20 years for buildings and towers. Land is not depreciated. Expenses for repairs and maintenance are charged to operating expenses as incurred.

H. Compensated Absences for Employees

Unused, earned compensated absences, other than accumulated sick leave, are accrued with a resulting liability. The liability and the expense for compensated absences are based on current rates of pay. The related employer's share of social security taxes, Medicare taxes, and contributions to the Wisconsin Retirement System is also accrued with a resulting liability. The compensated absences liability is classified as either a current or noncurrent liability, based upon an estimate determined by management. The noncurrent liability portion of the compensated absences liability generally is not paid out until retirement.

I. Restricted Net Assets

Restricted net assets are reported when constraints placed on net assets are externally imposed, such as by donors or grantors. The ECB Radio Network's restricted assets include program or purpose restrictions placed by donors on contributed support or gifts. Unrestricted net assets may be used at the ECB Radio Network's discretion.

2. DEPOSITS AND INVESTMENTS

The cash balances of the ECB Radio Network's operating fund are deposited with the State 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 in accordance with Wisconsin Statutes. The State Investment Fund is not registered with the Securities and Exchange Commission.

The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg) Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act of Congress, securities guaranteed by the United States, the unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin, and bankers acceptances. The Investment Board's trustees may specifically approve other prudent investments.

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 a financial institution. The investments held by WPBF relating to the ECB Radio Network include publicly traded stocks, equity mutual funds, fixed-income mutual funds, and repurchase agreement investments and are managed by private trust companies. WPRA cash balances are held in deposit and money market accounts at one financial institution. WPRA investments include certificates of deposit; however, they are classified as deposits for purposes of this note disclosure. The ECB Radio Network includes its share of the WPRA deposits and investments in the WPBF Fund. Investment income is presented as a nonoperating revenue in the Statements of Revenues, Expenses, and Changes in Fund Net Assets.

WPBF has investment policies in place regarding credit risk, concentration of credit risk, custodial credit risk, foreign currency risk, and interest rate risk. As of June 30, 2008, WPRA had no deposit and investment policies relating to custodial credit risk.

A. Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, deposits may not be returned. As of June 30, 2008, \$2,347,210 of the ECB Radio Network’s bank balance of \$2,909,116 was not covered by the Federal Deposit Insurance Corporation (FDIC) and was exposed to custodial credit risk. As of June 30, 2007, \$1,244,466 of the ECB Radio Network’s bank balance of \$1,325,129 was exposed to custodial credit risk.

B. Investments

Fair-market value of investment balances for the ECB Radio Network as of June 30, 2008 and 2007, was as follows:

<u>Investment Type</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Equities	\$ 531,922	\$ 700,875
Equity Mutual Funds	376,406	558,686
Fixed-Income Mutual Funds	564,008	370,112
Certificate of Deposit	541,351	0
Repurchase Agreement		
Investments	<u>357,775</u>	<u>1,690,014</u>
Total Investments	\$2,371,462	\$3,319,687

The investments of the ECB Radio Network are exposed to the following risks:

Credit Risk—Credit risk is the risk that an issuer or other counterparty to a fixed-income investment will not fulfill its obligations. WPBF’s investment guidelines prohibit security transactions that involve a counterparty rated below A by a major recognized rating firm. As of June 30, 2008, and June 30, 2007, the ECB Radio Network’s fixed-income funds were all unrated. As of June 30, 2008, and June 30, 2007, the repurchase agreement investments were in fixed-income investments with a AAA rating.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WPBF’s investment guidelines require that the fixed-income investments maintain a weighted average maturity of less than ten years. As of June 30, 2008, the fixed-income investments for the ECB Radio Network had the following durations:

<u>Fixed-Income Investment</u>	<u>Market Value</u>	<u>Duration</u>
Dodge and Cox Income Fund	\$166,316	4.1 years
Vanguard Total Bond Index Fund	168,439	2.1 years
Vanguard Fixed Income Short-Term	229,253	4.4 years
Repurchase Agreement Investments	<u>357,775</u>	1 day
Total Fixed-Income Investments	\$921,783	

As of June 30, 2007, fixed-income investments for the ECB Radio Network had the following durations:

<u>Fixed-Income Investment</u>	<u>Market Value</u>	<u>Duration</u>
Dodge and Cox Income Fund	\$ 139,903	3.9 years
Vanguard Inflation Protected Securities Class A	10,711	6.4 years
Vanguard Total Bond Index Fund	21,772	4.7 years
Vanguard Fixed Income Short Term	197,726	2.3 years
Repurchase Agreement Investments	<u>1,690,014</u>	1 day
Total Fixed-Income Investments	\$2,060,126	

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of June 30, 2008 and 2007, WPBF's exposure to foreign currency risk is its investments of \$119,759 and \$182,142, respectively, in international equity investments. WPBF's investment guidelines related to foreign currency risk indicate that international equity mutual funds will not constitute more than 20 percent of the equity portion of the investment portfolio.

Subsequent Events—Subsequent to the June 30, 2008 fiscal year-end, global capital markets have experienced adverse events. These events have helped bring about a global economic recession causing the capital markets to react with increased volatility due to continued uncertainty of future economic conditions. The investments of WPBF have also incurred some decline in value due to these unfavorable market conditions subsequent to June 30, 2008. To weather the issues facing the global economy, WPBF continues to focus on investments that produce long-term, stable asset growth.

3. FUND TRANSFERS

WPBF transfers funds monthly to the ECB Radio Network's operating fund based upon funding requirements. The transfers are reflected as interfund transfers on the Statements of Revenues, Expenses, and Changes in Fund Net Assets. The timing of those transfers and the expenses result in an interfund payable and a receivable at year-end, which are reflected in the Balance Sheets.

4. CAPITAL ASSETS

<u>FY 2007-08</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 85,518	\$ 0	\$ 0	\$ 85,518
Capital Assets Being Depreciated:				
Buildings	3,970,690	8,684	(28,157)	3,951,217
Equipment	<u>7,142,685</u>	<u>1,289,262</u>	<u>(82,724)</u>	<u>8,349,223</u>
Total Capital Assets at Historical Cost	<u>11,113,375</u>	<u>1,297,946</u>	<u>(110,881)</u>	<u>12,300,440</u>
Less Accumulated Depreciation for:				
Buildings	(1,265,422)	(156,685)	12,849	(1,409,258)
Equipment	<u>(2,749,665)</u>	<u>(500,404)</u>	<u>63,807</u>	<u>(3,186,262)</u>
Total Accumulated Depreciation	<u>(4,015,087)</u>	<u>(657,089)</u>	<u>76,656</u>	<u>(4,595,520)</u>
Total Capital Assets Being Depreciated, Net	<u>7,098,288</u>	<u>640,857</u>	<u>(34,225)</u>	<u>7,704,920</u>
Total Capital Assets, Net	<u>\$7,183,806</u>	<u>\$640,857</u>	<u>\$(34,225)</u>	<u>\$7,790,438</u>
<u>FY 2006-07</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 85,518	\$ 0	\$ 0	\$ 85,518
Capital Assets Being Depreciated:				
Buildings	3,934,595	36,095	0	3,970,690
Equipment	<u>6,293,757</u>	<u>966,970</u>	<u>(118,042)</u>	<u>7,142,685</u>
Total Capital Assets at Historical Cost	<u>10,228,352</u>	<u>1,003,065</u>	<u>(118,042)</u>	<u>11,113,375</u>
Less Accumulated Depreciation for:				
Buildings	(1,108,397)	(157,025)	0	(1,265,422)
Equipment	<u>(2,438,650)</u>	<u>(406,463)</u>	<u>95,448</u>	<u>(2,749,665)</u>
Total Accumulated Depreciation	<u>(3,547,047)</u>	<u>(563,488)</u>	<u>95,448</u>	<u>(4,015,087)</u>
Total Capital Assets Being Depreciated, Net	<u>6,681,305</u>	<u>439,577</u>	<u>(22,594)</u>	<u>7,098,288</u>
Total Capital Assets, Net	<u>\$6,766,823</u>	<u>\$ 439,577</u>	<u>\$(22,594)</u>	<u>\$7,183,806</u>

Depreciation expense was charged to functions as follows:

	<u>FY 2007-08</u>	<u>FY 2006-07</u>
Programming and Production	\$ 362	\$ 363
Broadcasting	640,068	545,670
Management and General	7,378	9,777
Fund-raising and Membership Development	<u>9,281</u>	<u>7,678</u>
Total Depreciation Expense	\$657,089	\$563,488

Federal grant funds received from the National Telecommunications and Information Administration (NTIA) to purchase equipment contain a priority lien. The lien extends for a period of ten years after the grant is closed, during which time the federal government retains priority reversionary interest in the equipment. ECB was awarded five NTIA capital equipment grants related to the ECB Radio Network between FY 1996-97 and FY 2006-07. The book value of equipment with an NTIA priority lien is \$347,226 as of June 30, 2008, and \$430,778 as of June 30, 2007.

5. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$ 84,981	\$13,033	\$ (8,606)	\$ 89,408
Bonds Payable	<u>120,869</u>	<u>0</u>	<u>(6,894)</u>	<u>113,975</u>
Noncurrent Liabilities	\$205,850	\$13,033	\$(15,500)	\$203,383

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Compensated Absences	\$ 68,168	\$28,389	\$(11,576)	\$ 84,981
Bonds Payable	<u>127,261</u>	<u>0</u>	<u>(6,392)</u>	<u>120,869</u>
Noncurrent Liabilities	\$195,429	\$28,389	\$(17,968)	\$205,850

The noncurrent liabilities are generally funded with operating subsidies received from the State of Wisconsin, with the exception of the bonds payable, which are funded with program revenue (Note 7). In addition, compensated absences and bond payments expected to be paid within one year are reflected in the current liabilities on the Balance Sheets.

6. GREEN BAY TOWER OPERATING LEASE

The Department of Administration authorized ECB to enter into a long-term contract with Young Broadcasting of Green Bay, Inc., with the contract period of 20 years. ECB executed a multi-year lease of a tower, transmission line, antenna, channel combiner, air conditioner, and transmitter building. The lease agreement required a rent prepayment in the amount of \$743,000, of which \$100,000 was allocated to the ECB Radio Network. The prepayment was paid in September 2002 and was funded by the Wisconsin State Building Trust Fund. The rent expense associated with the prepayment is being recognized over the 20 year life of the lease. The amount paid in excess of the amount recognized is reported as a prepaid expense on the Balance Sheets and totals \$70,833 as of June 30, 2008, and \$75,833 as of June 30, 2007.

In addition to the rent prepayment, ECB is required to make annual rent payments in lieu of taxes. The contract requires an initial payment of \$10,000 and a scheduled rent increase each lease year by 3 percent compounded until the end of the lease term. The annual payments are allocated 60 percent to the ECB Television Network and 40 percent to the ECB Radio Network. Payments related to the ECB Radio Network were \$4,637 for FY 2007-08 and \$4,502 for FY 2006-07.

The following is a schedule of future minimum obligations under this operating lease as of June 30, 2008:

Fiscal Year Ended June 30	Television Network	Radio Network	Total Amount
2009	\$ 7,164	\$ 4,776	\$ 11,940
2010	7,379	4,920	12,299
2011	7,601	5,067	12,668
2012	7,829	5,219	13,048
2013	8,064	5,375	13,439
2014-2018	44,097	29,396	73,493
2019-2022	<u>40,283</u>	<u>26,854</u>	<u>67,137</u>
Total	<u>\$122,417</u>	<u>\$81,607</u>	<u>\$204,024</u>

7. GENERAL OBLIGATION BONDS AND NOTES

ECB has used proceeds received from a number of State of Wisconsin general obligation bonds and general obligation commercial paper notes to finance the acquisition, construction, development, enlargement, or improvement of facilities operated by ECB. The proceeds were included as support in the year the facilities were acquired.

The general obligation bonds repaid by the State’s general purpose revenue are not considered debt of ECB because their repayment is from general purpose revenue. Therefore, the debt financed through general purpose

revenue appropriation is reported in the State of Wisconsin’s Comprehensive Annual Financial Report (CAFR) rather than the ECB Radio Network’s financial statements. The indebtedness carried by the State of Wisconsin on behalf of the ECB Radio Network to be repaid by general purpose revenue as of June 30, 2008 and 2007, is \$5,061,924 and \$5,096,903, respectively, in general obligation bonds and \$386,374 and \$366,017, respectively, in commercial paper notes. ECB is responsible for the repayment of interest on these obligations; therefore, interest expense of \$244,980 and \$213,586 is included in the nonoperating expenses on the Statements of Revenues, Expenses, and Changes in Fund Net Assets for FY 2007-08 and FY 2006-07, respectively.

In addition to general obligations financed by general purpose revenue, six general obligation bond issues are financed through program revenues, as mandated by s. 20.255(1)(j), Wis. Stats. Because the repayment of this indebtedness is financed through ECB’s program revenues, it represents debt of the ECB Radio Network and, accordingly, is presented as a liability in the financial statements. The amounts provided through program revenue for indebtedness during FY 2007-08 and FY 2006-07 are \$12,989 and \$13,021, respectively, which consisted of principal payments of \$6,392 and \$6,103, respectively, and interest payments of \$6,597 and \$6,918, respectively. The principal payments are recorded as reductions of the current bonds payable, while the interest payments are included in the nonoperating expenses on the Statements of Revenues, Expenses, and Changes in Fund Net Assets.

As of June 30, 2008, debt service requirements for principal and interest in future years for program revenue–funded bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2009	6,894	6,325	13,219
2010	7,540	5,917	13,457
2011	8,009	5,449	13,458
2012	8,971	5,048	14,019
2013	9,190	4,599	13,789
2014 to 2018	53,955	15,050	69,005
2019 to 2021	<u>26,310</u>	<u>2,053</u>	<u>28,363</u>
Total	<u>\$120,869</u>	<u>\$44,441</u>	<u>\$165,310</u>

8. ENDOWMENT

The management of WPBF established a radio endowment during FY 2004-05. The balance is \$274,879 as of June 30, 2008, and \$276,838 as of June 30, 2007 and is included in the investments and the cash and cash equivalents accounts on the Balance Sheets. Investment income earned on the endowment is used for operations. None of the assets in the endowment at June 30, 2008 and 2007, are donor-restricted. Assets in the endowment follow the investment policy disclosed in Notes 1 and 2.

9. CAPITAL CONTRIBUTIONS

The capital contributions for the ECB Radio Network are:

A. 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 disbursements are made.

B. Grants

Federal grant funds received from the U.S. Department of Commerce and U.S. Department of Homeland Security and used to purchase capital equipment are recorded as support when the disbursements are made. Grant funds received from the Corporation for Public Broadcasting and used to purchase capital equipment for the conversion to high definition radio are recorded as support when the disbursement is made.

C. Donated Capital Assets

The fair-market value of donated capital assets is recorded as revenue in the period of acquisition.

10. CONTRIBUTED IN-KIND SUPPORT

Contributed in-kind support includes donated professional services, donated general operational services, donated materials, and donated instructional radio services. In-kind support is reported both as revenues and as expenses and, therefore, has no effect on net assets.

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 the cost of providing the service.

In-kind support included in the financial statements was as follows:

	<u>FY 2007-08</u>	<u>FY 2006-07</u>
Professional Services	\$ 21,473	\$ 18,976
Operational	300,988	292,709
Instructional Radio	10,881	1,008
Materials	<u>15,556</u>	<u>0</u>
Total In-Kind Support	<u>\$348,898</u>	<u>\$312,693</u>

11. EMPLOYEE RETIREMENT PLAN

Permanent employees of the ECB Radio Network are participants in the Wisconsin Retirement System, a cost-sharing, multiple-employer, defined benefit plan governed by ch. 40, Wis. Stats. 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 of the Wisconsin Retirement System may be obtained by writing to:

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

The most current financial report is also available on the Department of Employee Trust Funds' Web site, www.etf.wi.gov.

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. However, in December 2003 the State issued bonds and subsequently fully liquidated its prior service liability balance as of January 2003. State agencies are required to make future contributions to fund the bond payments.

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, including employer and employee contributions, was \$149,779 for FY 2007-08 and \$150,111 for FY 2006-07. Of these amounts, \$28,523 in FY 2007-08 and \$25,524 in FY 2006-07 was used to fund payments on bonds issued to liquidate the prior service liability balance. The relative position of the ECB Radio Network in the Wisconsin Retirement System is not available because the system is a statewide, multi-employer plan.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June, 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for FY 2007-08. In accordance with the provisions of GASB Statement No. 45, state and local governmental employers are required to display in financial reports other postemployment benefits (OPEB) expenses and related liabilities; notes disclosures; and if applicable, required supplementary information. The employees of ECB are employees of the State. The financial statements of the ECB Radio Network do not include OPEB expenses or the related liabilities other than those actually paid during

FY 2007-08, which are allocated to various functional expenses on the Statements of Revenues, Expenses, and Changes in Fund Net Assets.

Health Insurance—The State’s Health Insurance Program, a cost-sharing multiple-employer defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State created under ch. 40, Wis. Stats. The Wisconsin Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.165(2) and 40.03(6) Wis. Stats. Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are required to enroll in Medicare when eligible), is treated as an OPEB.

The difference between the State’s annual required contribution of \$148.5 million as of January 1, 2007, and its actual contributions of \$44.3 million, results in a net OPEB obligation of \$104.2 million for the State. The estimated portion of this obligation related to ECB employees for FY 2007-08 was \$100,329, which reflects the amortization of the actuarial accrued liability for FY 2007-08 plus the current expense for active employees. This obligation is included in the State’s CAFR but is not included in the ECB Radio Network’s financial statements.

The State’s CAFR includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is publicly available at www.doa.wi.gov or may be obtained upon request from:

Department of Administration
101 East Wilson Street
Madison, Wisconsin 53703

Life Insurance—The State’s Life Insurance program, a cost-sharing multiple-employer defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under s. 40.70, Wis. Stats. Beginning at age 65, retirees and terminating members continue to receive, at no cost to them, basic life insurance coverage. Retirees and terminating members under age 65 must continue to pay the employee premium to maintain coverage. The relative portion of the State’s contributions to the Life Insurance OPEB plan attributable to ECB is not readily available.

The Department of Employee Trust Funds issues a publicly available financial report that includes financial statements, additional note disclosures, and required supplementary information for the Life Insurance OPEB plan. That report available at www.etf.wi.gov or may be obtained upon request from:

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

The State’s CAFR also includes additional employer note disclosures for the plan.

13. WISCONSIN PUBIC BROADCASTING FOUNDATION, INC.

WPBF is a statutorily defined not-for-profit corporation (s. 39.12, Wis. Stats.) wholly owned by ECB that solicits funds in the name of, and with the approval of, ECB. WPBF's funds are managed by a statutorily defined five-member board of trustees consisting of the Executive Director of ECB and four members of the ECB Board. Because the State has fiscal accountability for and can influence WPBF operations through legislation, WPBF is considered a blended component unit of the State of Wisconsin. WPBF accounts pertaining to radio are included in the ECB Radio Network's financial statements, and accounts pertaining to television are included in the ECB Television Network's financial statements. A summary of significant financial data relating to WPBF, which includes radio, television, and other nonbroadcasting activities of WPBF, follows. Copies of WPBF's separately issued financial statements may be obtained by contacting ECB at 3319 West Beltline Highway, Madison, WI 53713-4296.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Investments	\$11,004,974	\$10,928,416
Other Assets	282,148	292,401
Liabilities	<u>(526,381)</u>	<u>(562,384)</u>
Net Assets	<u>\$10,760,741</u>	<u>\$10,658,433</u>

	<u>Fiscal Year Ended June 30, 2008</u>	<u>Fiscal Year Ended June 30, 2007</u>
Operating Revenues	\$ 8,604,044	\$ 9,223,097
Operating Expenses	(1,913,935)	(1,792,828)
Nonoperating Income (Loss)	<u>(38,209)</u>	<u>965,104</u>
Income (Loss) Before Transfers	6,651,900	8,395,373
Transfers to ECB	<u>(6,549,592)</u>	<u>(7,338,021)</u>
Change in Net Assets	<u>\$ 102,308</u>	<u>\$ 1,057,352</u>

14. RELATED ENTITIES**A. Wisconsin Public Radio—University of Wisconsin Board of Regents Stations**

WHA Radio and some other Wisconsin Public Radio stations are public telecommunications entities licensed to the UW Board of Regents and operated by UW-Extension. In order to achieve statewide services and economies of scale, in the mid-1980s ECB and the UW Board of Regents developed partnerships called Wisconsin Public Radio and Wisconsin Public Television to manage and operate 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. ECB and the UW Board of Regents jointly appoint the directors of Wisconsin Public Television and Wisconsin Public Radio. 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 Sheets. The relationship pervades all aspects of the financial activities reported in the accompanying financial statements.

B. Wisconsin Public Radio Association, Inc.

WPRA is a publicly supported not-for-profit corporation whose purpose is to administer various fund-raising and membership duties of Wisconsin Public Radio and to provide support to the ECB Radio Network and radio stations licensed to the UW Board of Regents. WPRA solicits funds in the name of, and with the approval of the licensees, ECB and the UW Board of Regents. Under the affiliation agreement, ECB and UW staff, along with the WPRA Board of Directors, approve WPRA's budget. The licensees have access to WPRA's net resources and retain an ongoing legal allocated interest in WPRA's net assets. ECB's and the UW Board of Regents' allocated interests in WPRA are calculated in accordance with an affiliation agreement, which currently provides ECB with 76 percent of WPRA net resources and the UW Board of Regents with 24 percent. This agreement is renegotiated annually based upon membership proportion.

ECB includes in the WPBF fund its allocated share of WPRA assets, liabilities, revenues, and expenses. A summary of amounts related to WPRA included in the accompanying financial statements follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Investments	\$ 541,351	\$ 805,329
Receivables and Other Assets	<u>263,693</u>	<u>285,304</u>
Total Assets	805,044	1,090,633
Payables and Other		
Current Liabilities	<u>(29,172)</u>	<u>(25,712)</u>
Net Assets	<u>\$775,872</u>	<u>\$1,064,921</u>

	<u>Fiscal Year Ended June 30, 2008</u>	<u>Fiscal Year Ended June 30, 2007</u>
Contributed Support and Revenue	\$4,413,199	\$4,334,432
Expenses:		
Broadcasting	\$ 424	\$ 0
Program information	153,716	147,583
Management and general	100,675	90,769
Fund-raising	<u>526,818</u>	<u>502,906</u>
Total Expenses	781,633	741,258

WPRA issues separate financial statements, which are audited by other auditors. A summary of significant WPRA financial data follows. Copies of WPRA's separately issued financial statements may be obtained by contacting the Financial Manager of the Wisconsin Public Radio Association, Inc., at 821 University Avenue, Madison, WI 53706.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and Investments	\$1,789,310	\$2,108,372
Receivables and Other Assets	<u>346,965</u>	<u>375,400</u>
Total Assets	2,136,275	2,483,772
Payables and Other		
Current Liabilities	<u>(504,561)</u>	<u>(449,487)</u>
Net Assets	<u>\$1,631,714</u>	<u>\$2,034,285</u>
	<u>Fiscal Year Ended</u> <u>June 30, 2008</u>	<u>Fiscal Year Ended</u> <u>June 30, 2007</u>
Contributed Support and Revenue	\$5,764,130	\$5,740,700
Expenses:		
Program information	\$ 162,592	\$ 194,188
Management and general	132,467	119,433
Fund-raising	672,713	661,718
Payments to ECB and WHA	<u>5,198,929</u>	<u>4,956,169</u>
Total Expenses	<u>6,166,701</u>	<u>5,931,508</u>
Net Change in Assets	<u>\$ (402,571)</u>	<u>\$ (190,808)</u>

C. Rib Mountain Communications

ECB entered into a joint ownership agreement on November 1, 2001, to erect, operate, and maintain a broadcast tower on Rib Mountain, Wisconsin. The agreement is between ECB; WRIG, Inc.; QNI; and Gray MidAmerica Television, Inc. The shares of ownership are 33 percent, 23 percent, 20 percent, and 24 percent, respectively. Each party contributes its respective share of maintenance and repair on an annual basis. An annual budget is prepared for the joint ownership to determine respective amounts of maintenance due from each party. ECB allocates assets and expenses between the radio and television networks.

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 Statements of Revenues, Expenses, and Changes in Fund Net Assets attributable to Ideas

Network stations' revenues, direct expenses, and related readily allocable indirect expenses is identified in the following tables. 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:

<u>FY 2007-08</u>	WERN-FM and Affiliates	WHAD-FM and Affiliates	ECB Radio Total
Operating Revenues			
Contributed Support	\$2,368,222	\$1,820,277	\$4,188,499
Corporation for Public Broadcasting Grants	429,781	213,568	643,349
Underwriting Grants	446,450	316,047	762,497
Other Grants and Contracts	324,059	0	324,059
Major Gifts	46,493	0	46,493
Contributed In-Kind Support	348,898	0	348,898
Royalties and Other Income	<u>240,782</u>	<u>0</u>	<u>240,782</u>
Total Operating Revenues	<u>4,204,685</u>	<u>2,349,892</u>	<u>6,554,577</u>
Operating Expenses			
Program Services:			
Programming and production	1,879,413	2,705,445	4,584,858
Broadcasting	1,866,168	579,615	2,445,783
Program information	<u>153,716</u>	<u>0</u>	<u>153,716</u>
Total Program Services	<u>3,899,297</u>	<u>3,285,060</u>	<u>7,184,357</u>
Support Services:			
Management and general	405,130	332,298	737,428
Fund-raising and membership			
development	589,267	0	589,267
Underwriting	<u>1,290</u>	<u>0</u>	<u>1,290</u>
Total Support Services	<u>995,687</u>	<u>332,298</u>	<u>1,327,985</u>
Total Operating Expenses	<u>4,894,984</u>	<u>3,617,358</u>	<u>8,512,342</u>
Operating Income (Loss)	<u>(690,299)</u>	<u>(1,267,466)</u>	<u>(1,957,765)</u>
Nonoperating Revenues (Expenses)			
State General Fund Revenue	1,104,835	638,943	1,743,778
Loss on Disposal of Capital Assets	(34,225)	0	(34,225)
Capital Debt Interest Expense	(251,577)	0	(251,577)
State Insurance Funds	1,486	0	1,486
Investment Income	<u>8,022</u>	<u>0</u>	<u>8,022</u>
Total Nonoperating Revenues (Expenses)	<u>828,541</u>	<u>638,943</u>	<u>1,467,484</u>
Income (Loss) Before Contributions and Transfers	138,242	(628,523)	(490,281)
Capital Contributions and Transfers			
Capital Contributions	<u>380,309</u>	<u>540,369</u>	<u>920,678</u>
Change in Net Assets	<u>\$ 518,551</u>	<u>\$(88,154)</u>	<u>\$ 430,397</u>

<u>FY 2006-07</u>	WERN-FM and Affiliates	WHAD-FM and Affiliates	ECB Radio Total
Operating Revenues			
Contributed Support Corporation for Public Broadcasting Grants	\$2,294,628	\$1,696,071	\$3,990,699
Underwriting Grants	305,912	312,085	617,997
Other Grants and Contracts	411,536	315,862	727,398
Major Gifts	295,838	0	295,838
Contributed In-Kind Support	111,657	0	111,657
Royalties and Other Income	312,693	0	312,693
	<u>269,457</u>	<u>0</u>	<u>269,457</u>
Total Operating Revenues	<u>4,001,721</u>	<u>2,324,018</u>	<u>6,325,739</u>
Operating Expenses			
Program Services:			
Programming and production Broadcasting	1,805,029	2,553,189	4,358,218
Program information	1,721,893	342,857	2,064,750
	<u>147,583</u>	<u>0</u>	<u>147,583</u>
Total Program Services	<u>3,674,505</u>	<u>2,896,046</u>	<u>6,570,551</u>
Support Services:			
Management and general Fund-raising and membership development	370,558	225,110	595,668
Underwriting	559,520	0	559,520
	<u>5,458</u>	<u>0</u>	<u>5,458</u>
Total Support Services	<u>935,536</u>	<u>225,110</u>	<u>1,160,646</u>
Total Operating Expenses	<u>4,610,041</u>	<u>3,121,156</u>	<u>7,731,197</u>
Operating Income (Loss)	<u>(608,320)</u>	<u>(797,138)</u>	<u>(1,405,458)</u>
Nonoperating Revenues (Expenses)			
State General Fund Revenue	1,151,476	508,929	1,660,405
Loss on Disposal of Capital Assets	(22,594)	0	(22,594)
Capital Debt Interest Expense	(220,504)	0	(220,504)
Investment Income	<u>434,920</u>	<u>0</u>	<u>434,920</u>
Total Nonoperating Revenues (Expenses)	<u>1,343,298</u>	<u>508,929</u>	<u>1,852,227</u>
Income (Loss) Before Contributions and Transfers	734,978	(288,209)	446,769
Capital Contributions and Transfers			
Capital Contributions	<u>472,691</u>	<u>19,795</u>	<u>492,486</u>
Change in Net Assets	<u>\$1,207,669</u>	<u>\$ (268,414)</u>	<u>\$ 939,255</u>

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Report on Control and Compliance ■

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the Wisconsin Educational Communications Board Radio Network's Operating Fund and the Wisconsin Public Broadcasting Foundation Inc.'s Radio Fund as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 9, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Wisconsin Public Radio Association, Inc., as described in our opinion on the Wisconsin Educational Communications Board Radio Network. The financial statements of the Wisconsin Public Radio Association, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with the additional requirements of *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits, we considered the Educational Communications Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Educational Communications Board's internal control

over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Educational Communications Board's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Educational Communications Board Radio Network's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This independent auditor's report is intended for the information and use of the Educational Communications Board, the Wisconsin Legislature's Joint Legislative Audit Committee, and the Corporation for Public Broadcasting. This report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of the Educational Communications Board's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

December 9, 2008

LEGISLATIVE AUDIT BUREAU
by 
Diann Allsen
Audit Director