

**THE WOSU STATIONS**

*A Public Telecommunications Entity  
Operated By The Ohio State University*

**FINANCIAL REPORT**  
*With Additional Information  
For The Year Ended June 30, 2002*

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**PARMS & COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State  
Betty Montgomery**

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The WOSU Stations  
The Ohio State University

We have reviewed the Independent Auditor's Report of the WOSU Stations, Franklin County, prepared by Parns & Company LLC, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The WOSU Stations are responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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# **THE WOSU STATIONS**

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## INDEPENDENT AUDITORS' REPORT

The WOSU Stations  
The Ohio State University

We have audited the accompanying statement of net assets of The WOSU Stations, which is a part of The Ohio State University, as of June 30, 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of WOSU's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements of The WOSU Stations are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of The WOSU Stations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WOSU Stations at June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, The WOSU Stations adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as of July 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2002, on our consideration of The WOSU Stations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The WOSU Stations taken as a whole. The Supplemental Schedule of Revenues and Expenses By Telecommunication Operations for the year ended June 30, 2002, is presented for purposes of additional analysis and is not a required part of the basic financial statements of The WOSU Stations. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements of The WOSU Stations taken as a whole.

*Parms & Company, LLC*

October 10, 2002



# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

### New Accounting Standards

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," which established a new reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," which applies the new reporting standards to public colleges and universities. The Ohio State University (the University) has elected to adopt these new standards in fiscal year 2002 and, as a component unit of the University; The WOSU Stations have adopted the new standards as well.

The following discussion and analysis provides an overview of WOSU's financial activities. Since this is a transition year for the new format, only one year of information is presented in the audited financial statements. In future years, a comparative analysis of The WOSU Stations financial data will be presented.

The new accounting standards resulted in a prior period adjustment of \$10.4 million to the beginning fund balance. The components of this adjustment primarily include accumulated depreciation and write off of assets under the capitalization threshold.

As required by the newly adopted accounting principles, the financial report consists of three basic statements that provide information on The WOSU Stations: the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each statement will be discussed.

### Financial Highlights

- Total assets decreased by 35% due primarily to the adoption of GASB 34 and 35.
- The downturn in the market resulted in a decrease in the market value of endowment investments.
- Although Friends of WOSU memberships remain constant, WOSU saw an increase of 3% in membership income.
- State and local grants decreased by 50% due to budget cuts at the state level.
- Miscellaneous revenues realized a substantial increase due to the most successful single special event in WOSU's history raising net revenue of \$93,694.

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

### Statement of Net Assets

The Statement of Net Assets includes assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way of measuring an organization's financial health.

Current assets:	
Cash	\$ 11,464,474
Receivables	<u>212,198</u>
Total current assets	11,676,672
Non-current assets:	
Endowment investments	4,645,013
Broadcast rights, net	841,411
Capital assets, net of depreciation	<u>2,021,669</u>
Total non-current assets	<u>7,508,093</u>
Total assets	19,184,765
Current liabilities:	
Accounts payable & accrued liab.	353,760
Deferred revenue	<u>71,254</u>
Total current liabilities	<u>425,014</u>
Net assets	
Invested in capital assets	2,021,669
Restricted	9,435,661
Unrestricted	<u>7,302,421</u>
Total net assets	<u>\$ 18,759,751</u>

In fiscal year 2002, 59% of \$19,184,765 in total assets represents our cash balance. The WOSU policy is to raise funds in the current year and expend them in the following year. This process provides the capability of meeting expenses during the summer months when cash flow is at its lowest. In addition, our CPB grants are two-year grants thereby contributing to the sizeable cash balance carried in our account. Although our statements show a large cash balance, the funds are ear marked for day-to-day operations and special projects.

Receivables include revenue received from program/production underwriting, station membership pledges, and various other earnings and grant income. Receivables increased by 23% due to a one-time \$75,000 production grant. Accounts receivables are projected to be collected within a one-year period.

Due to the downturn in the economy, we saw a 15% decrease in Investments. All investments are managed by the University Treasurer's Office. See Note 2 of the notes to the financial statement for further explanation.

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

### Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of The WOSU Stations, as well as the non-operating revenues and expenses. Annual state appropriations are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

#### OPERATING REVENUES

Contributed services	2,258,043
Grants from the Corporation for Public Broadcasting	1,518,841
Member contributions	2,617,785
Fees and Services:	1,125,895
Proceeds from auction	253,914
State and local grants	1,216,107
Miscellaneous	<u>297,619</u>
Total Operating Revenues	9,288,204

#### OPERATING EXPENSES

Total program services	8,043,209
Total supporting services	<u>3,653,900</u>
Total Operating Expenses	<u>11,697,109</u>
<b>OPERATING LOSS</b>	(2,408,905)

#### NON-OPERATING REVENUES (EXPENSES)

Operating Subsidies	1,394,024
Donated facilities and support – OSU	1,335,495
Investment Income	
Interest and dividend income	546,657
Unrealized loss on investments	(1,009,106)
Capital grants and gifts	429,018
Additions to permanent endowments	<u>132,784</u>
Net Non-Operating Revenues	<u>2,828,872</u>

<b>INCREASE IN NET ASSETS</b>	419,967
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>18,339,784</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 18,759,751</u>

Continued support from the Corporation for Public Broadcasting created an increase of 15% in federal funds. In addition, WOSU receives funds from the National Telecommunication Information Administration (NTIA) for specialized capital projects.

# THE WOSU STATIONS

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## Management's Discussion and Analysis Fiscal Year Ending June 30, 2002

These funds are available to all public broadcasting stations and are awarded based upon the merit of the request. WOSU does not receive funds every year; however, it is our policy to compete for an award each year. In fiscal year 2002, we were awarded funds to support the upgrade of the radio audio console.

As mentioned in the Financial Highlights, state funding for operating costs decreased by 50%. However, with the onset of the conversion to digital television we have received \$3 million in state capital funds to support this effort. WOSU continues to solicit funds at the state and federal level in support of the digital television conversion.

Through a strong mail effort and ten on-air fund drives, WOSU was able to raise \$2.6 million in membership revenue. Each on-air fund drive surpassed the original goal with a 97% fulfillment rate.

### Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess The WOSU Stations' ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external funding.

Cash Provided By (Used In):	
Operating activities	\$ (985,131)
Non-capital financing activities	1,526,808
Capital and related financing activities	232,194
Investing Activities	<u>546,657</u>
Net Increase (decrease) in cash	1,320,528
Cash - Beginning of year	<u>10,143,946</u>
Cash - End of year	<u>\$ 11,464,474</u>

Member contributions, state and local grants, tower rental, television productions, and university support comprise cash receipts for operating activities. The cash used from operations in fiscal year 2002 exceeded the receipts for the year. This was primarily due to the unanticipated decreases in state funding. Capital campaign contributions towards the switch to digital transmission generated additional cash funds in FY 2002.

# **THE WOSU STATIONS**

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## **Management's Discussion and Analysis Fiscal Year Ending June 30, 2002**

### **Economic Factors That Will Effect Future Economic Position and Results of Operations**

The WOSU Stations are facing significant obstacles heading into the next fiscal year and for the next decade. The federal government has mandated that public broadcast organizations transition to digital operations with an effective date of 2003 for television and before 2010 for radio. This transition will require more funding for equipment, operations and marketing. The source of this additional funding is uncertain at this time.

WOSU has initiated a capital campaign to secure \$10 million to help pay for the cost of the transition to digital television. Some of the funding will be used to pay for new digital television production, post-production and studio areas equipped with digital equipment. Upon the successful conclusion of the capital campaign, WOSU will have the necessary equipment to operate television in the digital arena. Digital transmission equipment for radio will be added in the future.

The ability of The WOSU Stations to meet the challenges of transitioning to digital operations are subjected to influences outside of its control, such as the performance of the stock market and the availability of private funding from our donors and government grants. The financial markets will make the job at WOSU either more difficult or easier, depending upon the stability and growth in the market.

**THE WOSU STATIONS**

**STATEMENT OF NET ASSETS  
As of June 30, 2002**

**ASSETS**

Current Assets:	
Cash	\$ 11,464,474
Receivables:	
Trade	39,946
Underwriting	123,980
Pledges	48,272
Total accounts receivable	<u>212,198</u>
Total current assets	11,676,672
Noncurrent Assets	
Endowment Investments (Note 2)	4,645,013
Broadcast rights, net	841,411
Capital assets, net (Note 3)	2,021,669
Total noncurrent assets	<u>7,508,093</u>
<b>Total Assets</b>	<b>19,184,765</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable - trade	117,041
Deferred support and revenue	71,254
Accrued compensated absence (Note 5)	233,812
Other accrued liabilities	2,907
	<u>425,014</u>
<b>Total Current Liabilities</b>	<b>425,014</b>

**NET ASSETS**

Invested in Capital Assets	2,021,669
Unrestricted	7,302,421
Restricted For:	
Nonexpendable	
Endowment	4,645,013
Expendable	
Capital Projects	2,801,508
Other	1,989,140
	<u>18,759,751</u>
<b>Total Net Assets</b>	<b>\$ 18,759,751</b>

The accompanying notes are an integral part of these financial statements.

## THE WOSU STATIONS

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS For The Year Ended June 30, 2002

#### OPERATING REVENUES

Contributed services	\$ 2,258,043
Grants from the Corporation for Public Broadcasting	1,518,841
Member contributions	2,617,785
Fees and Services:	
Public broadcasting service	19,300
Business & industry	837,375
Foundations/non-profit organizations	219,756
Federal government agencies	49,464
Proceeds from auction	253,914
State and local grants	1,216,107
Royalties	15,755
Miscellaneous	281,864
Total operating revenues	<u>9,288,204</u>

#### OPERATING EXPENSES

Program services	
Programming and production	4,336,479
Broadcasting	2,945,433
Program information	761,297
Total program services	<u>8,043,209</u>
Supporting services	
Management & general	1,958,629
Depreciation	316,433
Underwriting	71,949
Fundraising	1,306,889
Total supporting services	<u>3,653,900</u>
Total operating expenses	<u>11,697,109</u>
Operating loss	(2,408,905)

#### NON-OPERATING REVENUES (EXPENSES)

Operating subsidiaries (Note 6)	1,394,024
Donated facilities and support - OSU (Note 6)	1,335,495
Investment Income	
Interest and dividend income	546,657
Unrealized loss on investments	(1,009,106)
Capital grants and gifts	429,018
Additions to permanent endowments	132,784
Net non-operating revenues	<u>2,828,872</u>

<b>Increase in Net Assets</b>	<b>419,967</b>
<b>Net Assets, Beginning of year</b>	<b>18,339,784</b>
<b>Net Assets, End of year</b>	<b><u>\$ 18,759,751</u></b>

The accompanying notes are an integral part of these financial statements.

## THE WOSU STATIONS

### STATEMENT OF CASH FLOWS For the Year Ended June 30, 2002

#### **CASH FLOWS FROM OPERATING ACTIVITIES**

Grants from the Corporation for Public Broadcasting	\$ 1,518,841
Member contributions	2,616,171
Fees and services	1,073,959
Proceeds from auction	253,914
State and local grants	1,216,107
Royalties	15,755
Other revenues	281,864
Payments to employees	(4,302,925)
Payments to suppliers	(3,658,817)
Net cash provided by operating activities	<u>(985,131)</u>

#### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Private endowment contributions	132,784
University subsidies	1,394,024
Net cash provided (used) by noncapital financing activities	<u>1,526,808</u>

#### **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital grants and gifts received	429,018
Purchase of capital assets	(196,824)
Net cash provided (used) by capital financing activities	<u>232,194</u>

#### **CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>546,657</u>
Net cash provided (used) by investing activities	<u>546,657</u>

Net increase in cash	1,320,528
Cash at beginning of year	<u>10,143,946</u>
Cash at end of year	<u>\$ 11,464,474</u>

#### **RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (2,414,688)
Adjustments to reconcile excess additions over deductions to net cash provided by operating activities:	
University subsidized expenses	1,394,024
Costs chargedback by University	(112,320)
Depreciation expense	316,633
(Increase) in unamortized broadcast rights	(33,716)
(Increase) in receivables	(39,258)
(Decrease) in accounts payable	(101,890)
(Decrease) in deferred support and revenue	(14,292)
Increase in accrued liabilities	<u>20,376</u>
Net adjustments	<u>1,429,557</u>
Net cash used by operating activities	<u>\$ (985,131)</u>

The accompanying notes are an integral part of these financial statements.



## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Entity**

The accompanying financial statements of The WOSU Stations include the accounts and results of operations of the following non-commercial public television and radio stations:

- C WOSU-TV, Columbus, Ohio (rebroadcast in Newark and Mansfield)
- C WPBO-TV, Portsmouth, Ohio
- C WOSU-AM Radio, Columbus, Ohio
- C WOSU-FM Radio, Columbus, Ohio
- C WOSV-FM Radio, Mansfield, Ohio
- C WOSE-FM Radio, Coshocton, Ohio
- C WOSB-FM Radio, Marion, Ohio
- C WOSP-FM Radio, Portsmouth, Ohio

The WOSU Stations is a part of The Ohio State University financial reporting entity. The financial statements of the University contain more extensive disclosure of the significant accounting policies of the University as a whole.

##### **Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November 1999, respectively. While these Statements are scheduled for a phased implementation according to the size of the governmental unit, The WOSU Stations, as part of The Ohio State University, is required to adopt the Statement in the same year that the State adopts it, and the State has elected adoption for the year ended June 30, 2002. The WOSU Stations reports as a special purpose government engaged solely in "business type activities" under GASB Statement No. 34.

##### **Basis of Accounting**

The financial statements of The WOSU Stations have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay.

##### **Cash**

The WOSU's cash is maintained by The Ohio State University which commingles the funds with other University-related organizations.

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Endowment Investments**

Endowment funds are handled by the Treasurer of The Ohio State University who commingles the funds with other University-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Additions to endowment investments are recorded as nonoperating revenues in the statement of revenues, expenses and changes in net assets. Investments are recorded at their fair value. Investment income from endowment investments is unrestricted by the donors, and as such becomes a part of unrestricted net assets.

##### **Broadcast Rights**

Broadcast rights purchased by WOSU are amortized using the straight-line method over three years and are net of accumulated amortization of \$760,106 at June 30, 2002.

##### **Capital Assets**

Capital assets with a unit cost of over \$3,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

##### **Revenue Recognition**

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are University support, investment income, and gifts. Gifts (pledges) that are received on an installment basis are recorded at net present value.

Unrestricted Member Contributions are recorded as support when pledged. Grant funds are recorded as revenues when the grant's contractual requirements have been met.

The principal restricted resources of WOSU are contributions and grants to finance specific programming produced by WOSU. These revenues are deferred until WOSU broadcasts the specific program. At such time, the amounts are included as revenues in the statement of financial activity.

##### **In-Kind Contributions**

Donated professional services and materials provided by outside organizations are recorded as revenue and expense at the fair value of the service or material at the date of donation as valued by the donor.

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **Donated Facilities and Administrative Support from The Ohio State University**

Donated facilities from The Ohio State University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense based upon the University's "modified other sponsored activities indirect cost rate" as defined by the Corporation for Public Broadcasting (CPB). Administrative support from The Ohio State University consists of allocated financial, student and development department costs and certain other expenses incurred by the University on behalf of WOSU. All support received from the University is recorded as non-operating revenues.

##### **Management Estimates**

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectibility of receivables and compensated absences. Actual results could differ from those estimates.

##### **Net Assets**

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

#### **NOTE 2: CASH AND INVESTMENTS**

The cash balance at June 30, 2002, are pooled funds which are held and managed by the Treasurer's Office of The Ohio State University. Such funds were covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with the financial institution (Category 3).

Endowment investments represents WOSU's share of pooled investment funds. The following summarizes pooled shares and related values as of June 30, 2002:

<u>Fund account</u>	No. of <u>Shares</u>	<u>Cost</u>	Market <u>Value</u>
Friends of WOSU	399.0093	\$1,379,196	\$2,435,641
Prine Classical Music	1.3276	5,300	8,104
The WOSU Stations	360.6139	<u>2,124,290</u>	<u>2,201,268</u>
Total endowments investments		<u>\$3,508,786</u>	<u>\$4,645,013</u>

**THE WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2002**

**NOTE 2: CASH AND INVESTMENTS** (continued)

Statement No. 3 of the Governmental Accounting Standards Board requires entities to categorize investments to give an indication of the level of risk assumed by the University at year end:

Category 1 - Investments that are insured or registered for which securities are held by the University or its agent in the name of the University.

Category 2 - Uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the University's name.

Endowment investments, handled by the University Treasurer's office, are held by an agent in the name of the University and meet the criteria of Category 1.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Equipment	\$6,615,734	<u>196,824</u>	<u>(57,694)</u>	\$6,754,864
Total cost of capital assets	6,615,734	<u>196,824</u>	<u>(57,694)</u>	6,754,864
Less accumulated depreciation	<u>4,474,456</u>	<u>316,433</u>	<u>(57,694)</u>	<u>4,733,195</u>
Net capital assets	<u>\$2,141,278</u>			<u>\$2,021,669</u>

The following estimated useful lives are used to compute depreciation:

Equipment 5 - 15 years

**THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

**NOTE 4: RETIREMENT PLAN**

All employees covered under WOSU are employees of The Ohio State University. Substantially all employees are covered by the Public Employees Retirement System of Ohio (PERS). WOSU also has staff covered under the State Teachers Retirement System of Ohio (STRS). These retirement programs are statewide cost-sharing multiple employer defined benefit pension plans. They provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute. STRS and PERS issue separate, publicly-available financial reports that include financial statements and required supplementary information. The STRS or PERS financial reports may be obtained by writing or calling:

**STRS**

State Teacher's Retirement  
System of Ohio  
275 East Broad Street  
Columbus, OH 43215-3371  
(614) 227-4090 or (888) 227-7877

**PERS**

Public Employees Retirement  
System of Ohio  
277 East Town Street  
Columbus, OH 43215-4642  
(614) 466-2085 or (800) 222-7377

**Funding Policy**

The Revised Code of Ohio (ORC) provides PERS and STRS statutory authority for employee and employer contributions. The required contribution rates for PERS plan members and employers for calendar year 2001 were 8.5% and 13.31% of covered payroll, respectively. For STRS, the required, actuarially determined, rates for plan members are 9.30% and 14.00% of covered payroll, respectively.

**Trend Information**

Contributions made by the University on behalf of staff of The WOSU Stations, which represent 100% of the required employer contributions, for the year ended June 30, 2002, and for each of the preceding two years were as follows:

Year Ended <u>June 30</u>	PERS Annual <u>Contribution</u>	STRS Annual <u>Contribution</u>
2002	\$427,029	\$24,029
2001	\$429,940	\$16,127
2000	\$422,798	\$14,910

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

**NOTE 4: RETIREMENT PLAN** (continued)

#### **Other Postemployment Benefits**

##### **Public Employees Retirement System (PERS)**

PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an other postemployment benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for state employers was 13.31% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. WOSU's contribution actually made to fund postemployment benefits was

##### Assumptions:

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used.

Investment Return - The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll - An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

As of December 31, 2000, (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively. The number of active participants was 411,076.

## **THE WOSU STATIONS**

*A Public Telecommunications Entity Operated By The Ohio State University*

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2002**

#### **NOTE 4: RETIREMENT PLANS** (continued)

##### **Other Postemployment Benefits** (continued)

##### **State Teachers Retirement System (STRS)**

STRS provides access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage.

Pursuant to the Ohio Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which payments for health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

#### **NOTE 5: COMPENSATED ABSENCES**

The WOSU Station employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination.

Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the accrued but unused sick leave up to a maximum of 240 hours.

**THE WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2002**

**NOTE 5: COMPENSATED ABSENCES** (continued)

The WOSU Stations follows the University's policy for accruing sick leave liability. WOSU accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*. Under the termination method, The WOSU Stations utilizes the University's calculated rate, Sick Leave Termination Cost Per Year Worked, that is based on the University's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied by The WOSU Stations to the total year-of-service for WOSU current employees.

As of June 30, 2002, the accrued vacation and sick leave liability was \$215,696.

**NOTE 6: CORPORATION FOR PUBLIC BROADCASTING GRANT AWARDS**

The WOSU Stations received grant funds from the Corporation for Public Broadcasting (CPB) to assist in the operations of the stations. During 2002, the following summarizes grant funds earned during the fiscal year:

<u>CPB Grant</u>	<u>WOSU-AM</u>	<u>WOSU-FM</u>	<u>WOSU-TV</u>	<u>TOTAL</u>
Community Service	\$ 173,080	173,080	1,156,949	\$ 1,503,109
Interconnection Grant	<u>-</u>	<u>-</u>	<u>15,732</u>	<u>15,732</u>
Total	\$ <u>173,080</u>	<u>173,080</u>	<u>1,172,681</u>	\$ <u>1,518,841</u>

**NOTE 7: UNIVERSITY SUPPORT**

The operations of The WOSU Stations are supported in part by the general revenues of The Ohio State University. The University provides for the general operating costs of WOSU operations. During fiscal year 2002, The Ohio State University's direct support amounted to \$1,394,024. In addition, the University provided \$1,341,278 in indirect administrative support.



**THE WOSU STATIONS**  
*A Public Telecommunications Entity Operated By The Ohio State University*

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2002**

**NOTE 8: INCOME BENEFICIARY**

The WOSU Stations is an income beneficiary of certain funds administered and maintained by The Ohio State University. The WOSU Stations receives income generated from the Donald R. Glancy Endowed Fund in excess of \$7,000 per year to support television and radio programming needs. The WOSU Stations received \$39,696 from this fund during fiscal year 2002. In addition, The WOSU Stations receives ten percent of the income generated from the John McKitrick Family Fund. During fiscal year 2002, The WOSU Stations received \$161 from this fund. All funds received by The WOSU Stations as an income beneficiary have been included in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2002.

The following summarizes the value of these funds as of June 30, 2002:

<u>Fund Name</u>	<u>Market Value</u>
Donald R. Glancy Endowed Fund	\$604,989
John McKitrick Family Fund	<u>12,251</u>
Total Income Beneficiary Funds	<u>\$617,240</u>

**NOTE 9: PRIOR PERIOD ADJUSTMENT**

In connection with the implementation of GASB Statements No. 34 and No. 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Recording of accumulated depreciation on capital assets	\$ (4,355,065)
Capital assets written off due to implementation of capitalization policy	<u>(6,079,514)</u>
Total adjustments	(10,434,579)
Fund balance as previously reported June 30, 2001	<u>28,774,363</u>
Restated net assets as of July 1, 2001	<u>\$18,339,784</u>

**THE WOSU STATIONS**

Supplemental Schedule of Revenues and Expenses By Telecommunication Operations  
For The Year Ended June 30, 2002

	<u>Radio</u>			<u>Television</u>	<u>Totals</u>
	<u>AM</u>	<u>FM</u>	<u>Total</u>		
<b><u>REVENUES AND OTHER SUPPORT</u></b>					
The Ohio State University direct support (Note 6)	\$ 278,804	278,805	557,609	836,415	\$ 1,394,024
Contributed services	135,457	188,477	323,934	1,934,109	2,258,043
Donated facilities and support - OSU (Note 6)	276,500	219,342	495,842	839,653	1,335,495
Grants from the CPB	173,080	173,080	346,160	1,172,681	1,518,841
Member contributions	522,050	518,443	1,040,493	1,577,292	2,617,785
Fees and Services:					
PBS	4,922	4,923	9,845	34,455	44,300
B&I	147,929	150,714	298,643	538,732	837,375
Foundations/NPO's	68,733	65,366	134,099	85,657	219,756
Federal Govt.	-	10,822	10,822	13,642	24,464
Proceeds from auction	-	-	-	253,914	253,914
State and local grants	111,072	111,072	222,144	993,963	1,216,107
Investment Income					
Interest and dividend income	103,035	103,567	206,602	340,055	546,657
Unrealized Gains(Loss) on Investments	(201,821)	(201,821)	(403,642)	(605,464)	(1,009,106)
Endowment Contributions	26,556	26,557	53,113	79,671	132,784
Capital Campaign	-	-	-	429,018	429,018
Royalties	-	302	302	15,453	15,755
Other	24,989	15,000	39,989	241,875	281,864
	<u>1,671,306</u>	<u>1,664,649</u>	<u>3,335,955</u>	<u>8,781,121</u>	<u>12,117,076</u>
<b><u>EXPENSES</u></b>					
Program Services					
Programming and Production	789,095	454,818	1,243,913	3,092,566	4,336,479
Broadcasting	448,442	422,777	871,219	2,074,214	2,945,433
Program Information	128,905	125,469	254,374	506,923	761,297
Total program services	<u>1,366,442</u>	<u>1,003,064</u>	<u>2,369,506</u>	<u>5,673,703</u>	<u>8,043,209</u>
Supporting services					
Management & General	383,330	420,717	804,047	1,154,582	1,958,629
Fundraising	262,455	258,506	520,961	785,928	1,306,889
Underwriting	11,975	4,490	16,465	55,484	71,949
Depreciation	63,287	63,287	126,574	189,859	316,433
Total supporting services	<u>721,047</u>	<u>747,000</u>	<u>1,468,047</u>	<u>2,185,853</u>	<u>3,653,900</u>
Total expenses	<u>2,087,489</u>	<u>1,750,064</u>	<u>3,837,553</u>	<u>7,859,556</u>	<u>11,697,109</u>
Excess (Deficit) of Revenues and Other Support Over Expenses	<u>\$ (416,183)</u>	<u>(85,415)</u>	<u>(501,598)</u>	<u>921,565</u>	<u>\$ 419,967</u>

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

The WOSU Stations  
The Ohio State University

We have audited the financial statements of The WOSU Stations (a part of The Ohio State University) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The WOSU Stations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Parms & Company, LLC*

October 10, 2002





**Auditor of State  
Betty Montgomery**

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**THE WOSU STATIONS**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**