WOUB Center for Public Media

A Public Media Entity
(A Department of Ohio University)

Financial Statements as of and for the
Years Ended June 30, 2009 and 2008, and
Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
WOUB Center for Public Media
204 HDL Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the WOUB Center for Public Media, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. 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 WOUB Center for Public Media is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2010

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WOUB Center for Public Media
A Public Media Entity
(A Department of Ohio University)

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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statement of net assets of the WOUB Center for Public Media (the "Center"), a public media entity (a department of Ohio University), as of June 30, 2009 and 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Ohio University's (the "University") management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 that 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 3 through 11 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 required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Ohio University
Athens, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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. This 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 audit.

Plante & Moran, PLLC

February 5, 2010

The discussion and analysis of the WOUB Center for Public Media's (the "Center") financial statements provides an overview of the Center's financial activities for the fiscal years ended June 30, 2009, 2008, and 2007. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with the Center's management.

Using This Report

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*. This statement requires a comprehensive look at the entity as a whole. In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, which applies those standards to public colleges and universities. The WOUB Center for Public Media is a department of Ohio University (the "University"), a public university. The GASB has not yet developed accounting standards for presentation of auxiliary (or departmental) entities. For the purpose of this reporting, the Center is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements Nos. 34 and 35. In addition, the Center's accounting policies and practices conform to those permitted or allowed by the Corporation for Public Broadcasting, which generally follow published *Governmental Accounting Standards*.

The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year. The financial report includes basic financial statements that provide information on the Center: the statements of net assets, revenues, expenses, and changes in net assets, and cash flows.

This annual financial report includes the report of the independent auditors, this management's discussion and analysis, the three basic financial statements referenced above, and notes to the financial statements.

Statement of Net Assets

The statement of net assets presents the financial position of the Center as of the end of the fiscal year. It classifies assets and liabilities as current or noncurrent. Generally, current liabilities are those that will be paid within one year of the date of the statement. Current assets are those that are available to satisfy current liabilities.

Accounts receivable - related party represents amounts available in the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $0, $594,637, and $785,664 for the years ended June 30, 2009, 2008, and 2007, respectively.

Accounts payable - related party represents amounts due from the Center to the cash account of the University for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $417,312, $0, and $0 for the years ended June 30, 2009, 2008, and 2007, respectively.

The following chart depicts the breakdown of assets, liabilities, and net assets for the Center as of June 30, 2009, 2008, and 2007:

	2009	2008	2007
Assets:			
Accounts receivable	$ 43,022	$ 9,930	$ 28,341
Accounts receivable - Related party	-	594,637	785,664
Capital assets - Net	6,472,501	7,031,097	7,594,509
Total assets	6,515,523	7,635,664	8,408,514
Liabilities:			
Current liabilities	89,730	134,671	198,813
Accounts payable - Related party	417,312	-	-
Noncurrent liabilities	749,795	791,678	799,038
Total liabilities	1,256,837	926,349	997,851
Net assets	**$ 5,258,686**	**$ 6,709,315**	**$ 7,410,663**

The net assets are further displayed as follows:

	2009	2008	2007
Invested in capital assets - Net of related debt	$ 5,930,646	$ 6,470,476	$ 7,016,124
Restricted expendable	7,868	213,146	315,067
Unrestricted	(679,828)	25,693	79,472
Total net assets	**$ 5,258,686**	**$ 6,709,315**	**$ 7,410,663**

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the Center's results of operations for the years ended June 30, 2009 and 2008.

Operating Revenues

Charges for goods and services are recorded as operating revenues. In addition, certain grants are classified as operating revenues if they are not for capital purchases and are provided as a contract for services. Essentially this means that the Center is required by the grant to provide goods or services to the grantor of equal value to the value of the services or dollars received. Total operating revenues are $1,092,462, $1,107,936, and $1,211,460 for the years ended June 30, 2009, 2008, and 2007, respectively.

Nonoperating Revenues

Nonoperating revenues include an annual Community Service Grant from the Corporation for Public Broadcasting and the State of Ohio, administered through an annual grant from eTech Ohio (formerly the Ohio Educational Telecommunications Network Commission). Nonoperating revenues also include an appropriation, donated facilities, and administrative support from its licensee (the University). Certain grants are also classified as nonoperating revenue if the Center is not required under the grant agreement to provide goods or services to the grantor of equal value to the services or dollars received. In-kind contributions of $1,070,752, $1,289,052, and $1,700,180 for the years ended June 30, 2009, 2008, and 2007, respectively, are also included in nonoperating revenues as private gifts revenue. Total nonoperating revenues are $6,531,777, $7,207,092, and $7,241,203 for the years ended June 30, 2009, 2008, and 2007, respectively.

Total Revenues

The following depicts total revenue by source for the years ended June 30, 2009, 2008, and 2007:

	2009	2008	2007
Support from Ohio University	$ 3,524,242	$ 3,839,321	$ 3,730,621
Grants and contracts	1,464,238	1,534,811	1,706,267
Private gifts	698,706	801,336	534,470
Sales and services	890,289	875,763	944,692
In-kind support	1,070,752	1,289,052	1,700,180
Total revenue by source	**$ 7,648,227**	**$ 8,340,283**	**$ 8,616,230**

Total Expenses

Operating expenses have been incurred to vendors and employees for providing goods or services for the overall operations of the Center. In addition, depreciation expense of $858,563, $910,565, and $1,133,890 for the years ended June 30, 2009, 2008, and 2007, respectively, is shown as operating expense.

The following depicts operating expenses for the Center:

	2009	2008	2007
Program and support services	$ 8,205,014	$ 8,131,066	$ 8,477,478
Depreciation	858,563	910,565	1,133,890
Disposal of plant facilities	35,279	-	60,968
Total expense by source	**$ 9,098,856**	**$ 9,041,631**	**$ 9,672,336**

Change in Net Assets

Total change in net assets is as follows:

	2009	2008	2007
Operating revenues	$ 1,092,462	$ 1,107,936	$ 1,211,460
Nonoperating revenues	6,531,777	7,207,092	7,241,203
Capital grants and gifts	23,988	25,255	163,567
Expenses	(9,098,856)	(9,041,631)	(9,672,336)
Decrease in net assets	(1,450,629)	(701,348)	(1,056,106)
Beginning net assets	6,709,315	7,410,663	8,466,769
Ending net assets	**$ 5,258,686**	**$ 6,709,315**	**$ 7,410,663**

Statement of Cash Flows

The statement of cash flows presents detailed information about the major sources and uses of cash. The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the statement of net assets as accounts receivable - related party or as accounts payable - related party. For the purposes of the statement of cash flows, this account is considered a cash equivalent.

The three categories of presentation and their respective amounts for the years ended June 30, 2009, 2008, and 2007 are as follows:

	2009	2008	2007
Net cash (used in) provided by:			
Operating activities	$ (5,725,638)	$ (5,793,896)	$ (5,111,488)
Noncapital financing activities	5,461,025	5,918,040	5,541,023
Capital and related financing activities	(330,024)	(315,171)	(244,167)
Net (decrease) increase in cash	(594,637)	(191,027)	185,368
Cash - Beginning of year	594,637	785,664	600,296
Cash - End of year	**$ -**	**$ 594,637**	**$ 785,664**

Items of Interest

Fiscal year 2009 was one of the most financially challenging that the station has experienced in recent years. Overall, the fiscal year 2009 deficit for unrestricted operating funds was $679,828. This deficit was due to the following:

- An anticipated agreement for revenue of $602,320 did not materialize,
- The eTech Ohio Multimedia and educational assistance grants were cut by $30,000, or 13 percent,
- The eTech Ohio operating subsidy was cut by $90,034, or 17 percent,
- The Ohio University appropriation was cut by $141,754, or 8 percent,

WOUB experienced the loss of eight positions (six lay-offs and two retirements) for a 14 percent staff reduction in the past fiscal year alone. Funding was discontinued for employee travel to professional development conferences, for business-related cell phone usage, and for the printed program guide for television and radio.

The in-kind services contribution from eTech Ohio and eTSEO (Educational Technology for Southeastern Ohio) decreased by 17 percent due to budget cuts these agencies received from the State of Ohio.

Station efforts over the past few years have been focused on the federal mandate to convert from analog to digital television. WOUB successfully completed the transition for television broadcasting. Through grants, the station was able to install essential equipment and expand some of its systems. As part of the conversion, the Millersburg and Loudonville translators were decommissioned. Grants are continuing to be sought for digital master control upgrades and for high definition production equipment.

Twenty-three grant applications were submitted in fiscal year 2009, seven more than in fiscal year 2008. Of these 23 applications, 16 grants were awarded for a total of $2,086,468. These consisted of:

- eTech Ohio House Bill Equity Funds Multimedia Production Public TV Grant, *STEM Project Spaced Out: The Cosmic Scene*, $171,214
- eTech Ohio Educational and Assistance Technology Grant, *Raising Achievement for All Students,* $30,960
- eTech Ohio Operational Subsidy Funds, *Television,* $333,546
- eTech Ohio Operational Subsidy Funds, *Radio*, $107,887
- eTech Ohio Operational Subsidy Funds, *Radio Reading Service,* $6,000
- Ohio Educational Television Stations (OETS), *Ohio Ready to Work,* $31,000
- OETS, *Ohio Ready to Learn*, $94,250
- KCTS/Talaris Research Institute, *Parenting Counts*, $7,500
- Corporation for Public Broadcasting (CPB), *Community Service Grant for Radio,* $212,629
- CPB, *Rural Listener Access Incentive Fund (RLAIF) for the Radio Community Service Grant for Fiscal Year 2008 (awarded in fiscal year 2009),* $31,932
- CPB, *RLAIF for the Community Service Grant for Radio,* $32,500
- CPB, *Community Service Grant for TV,* $893,989
- CPB, *Community Service Grant for Interconnectivity,* $18,360
- CPB, *Digital Television Transition Funding,* $48,667
- American Osteopathic Association, *Family Health Radio Program,* $25,000
- Osteopathic Founders Foundation, *Family Health Radio Program,* $5,000

The radio membership campaign had a $35,000 plus increase over fiscal year 2008 fundraising receipts with fewer on-air campaign days. Television membership contributions fell by over $55,000 despite adding days. Direct mail increased by $9,000, telemarketing increased by $3,000, miscellaneous income fell by $5,000, and underwriting increased by $5,000. Total underwriting dollars for radio and television totaled $125,340. Overall, membership fundraising garnered over $600,000 to WOUB.

National Public Radio's *Talk of the Nation* with Neil Conan was broadcast live from the WOUB Radio studios. The program brought national exposure to the University, the region, and the state during an election year and provided community members the opportunity to participate in a national program.

The Emmy Award-winning *Gridiron Glory* celebrated its 10^{th} season, the station produced three programs throughout the region for the Governor's Forum on Education, and the WOUB-FM studio was dedicated to former on-air announcer Jan Sole.

WOUB's Community Outreach continues to provide educational opportunities for families of young children to grow in self-awareness and confidence. Each event and activity is geared age appropriately and is literacy based. Utilizing PBS material, these events provide an awareness of educational media. Children explore daily living through play and conversation. WOUB's participation in close to 50 events and activities helped nurture social, emotional, language, literacy, physical, and motor skills. These include the annual Reading Rainbow Young Writers and Illustrators Contest for children K-3.

Two documentaries were completed during the year: *The Waterloo Wonders* and *Good Neighbors, Bad Blood*. Both won first-place awards from the Ohio Associated Press Broadcasters Association. *The Waterloo Wonders* also won a Telly Award.

Members of the student news staff helped write and produce the eTech Ohio Conference educational and promotional video in Columbus. In conjunction with Scripps School of Journalism, they also produced a series of political specials from Columbus for FOX-TV in Cleveland. These in-depth specials reported from inside the McCain and Obama campaigns in Ohio.

WOUB News once again provided full coverage of the regional, state, and national political campaigns. These efforts allowed our students the opportunity to report and meet presidential and vice presidential candidates on the stump throughout the region.

A Southern Ohio radio newscast was successfully implemented beginning in October 2008. This newscast is comprised of news of specific interest to the people of the Huntington, Ashland, and Ironton areas of the Tri-State.

In the general election in November, 15 students produced WOUB's radio coverage. The coverage was broken down into each region and several split broadcasts were delivered over each transmitter site on the WOUB Radio Network. On television, a half-hour election special was produced. Ten students helped write, anchor, report, and shoot video for the TV show.

In fiscal year 2009 WOUB News

Produced:
- 6,550 radio news and sportscasts (includes Ironton newscast)
- 225 television newscasts
- 2,600 web updates
- One television election program
- Two evenings of regional election coverage on the WOUB Radio Network
- 450 daily topical and weather promos
- 20 long-form segments

Generated:
- 1,350 local radio stories
- 775 local television stories (an increase of 100 from 2008)

Professionally Cleared:
- 4.050 radio stories
- 9,000 television elements

Drove:
- 18,500 miles in news vehicles (does not include rentals)

Conducted:
- 220 live television segments
- 6 technical - educational workshops
- 3 television audition sessions

Trained and/or Counseled:
- 175 students

Hosted:
- 386 active news students in Athens

Processed and/or Read:
- 46,000 emails and news releases
- 20,800 Associated Press regional stories
- 900 Ohio public radio stories

Wrote:
- 20 letters of recommendation

In fiscal year 2009, the topics of news stories were largely dictated by the news events of the day, but where discretion was allowed, WOUB News made a conscious effort to include items in line with Ohio University's Vision Ohio. Economy, education, diversity, and health issues dominated these items as well as a significant number of environmental stories. The breakdown of those stories is as follows:

- Accidents, 217
- Campus, 165
- Courts, 133
- Crime, 574
- Diversity, 33
- Economy, 642
- Education, 384
- Environment, 276
- Features, 172
- Government, 617
- Political, 400
- Weather, 60

WOUB developed and premiered its first series produced by students entirely for the Web. *Hardwood Heroes* provided video highlights of area high school basketball games.

WOUB Center for Public Media
A Public Media Entity
(A Department of Ohio University)

Statement of Net Assets

	June 30, 2009	June 30, 2008
Assets		
Current Assets		
Accounts receivable	$ 43,022	$ 9,930
Accounts receivable - Related party	-	594,637
Total current assets	43,022	604,567
Noncurrent Assets - Capital assets - Net	6,472,501	7,031,097
Total assets	**$ 6,515,523**	**$ 7,635,664**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 69,905	$ 115,760
Accounts payable - Related party	417,312	-
Deferred revenue	-	145
Current portion of loan payable	19,825	18,766
Total current liabilities	507,042	134,671
Noncurrent Liabilities		
Accrued compensated absences	227,765	249,823
Loan payable - Related party	522,030	541,855
Total noncurrent liabilities	749,795	791,678
Total liabilities	1,256,837	926,349
Net Assets		
Invested in capital assets - Net of related debt	5,930,646	6,470,476
Restricted - Expendable - Public service	7,868	213,146
Unrestricted	(679,828)	25,693
Total net assets	5,258,686	6,709,315
Total liabilities and net assets	**$ 6,515,523**	**$ 7,635,664**

The Notes to the Financial Statements are
an Integral Part of this Statement.

WOUB Center for Public Media
A Public Media Entity
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Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2009	2008
Operating Revenues		
State grants and contracts	$ 202,173	$ 232,173
Sales and services	890,289	875,763
Total operating revenues	1,092,462	1,107,936
Operating Expenses		
Programming and production	8,205,014	8,131,066
Depreciation	858,563	910,565
Total operating expenses	9,063,577	9,041,631
Operating Loss	(7,971,115)	(7,933,695)
Nonoperating Revenues (Expense)		
Support from Ohio University	3,524,242	3,839,321
Private gifts	3,007,535	3,367,771
Disposal of plant facilities	(35,279)	-
Total nonoperating revenues	6,496,498	7,207,092
Loss - Before other revenues, expenses, gains, or losses	(1,474,617)	(726,603)
Capital Grants and Gifts	23,988	25,255
Decrease in Net Assets	(1,450,629)	(701,348)
Net Assets - Beginning of year	6,709,315	7,410,663
Net Assets - End of year	**$ 5,258,686**	**$ 6,709,315**

WOUB Center for Public Media
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(A Department of Ohio University)

Statement of Cash Flows

	Year Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Grants and contracts	$ 202,173	$ 232,173
Payments to suppliers	(3,068,089)	(3,332,339)
Payments to or on behalf of employees	(3,748,961)	(3,567,778)
Payments for scholarships and fellowships	(1,050)	(1,715)
Sales and services to educational departments	890,289	875,763
Net cash used in operating activities	(5,725,638)	(5,793,896)
Cash Flows from Noncapital Financing Activities		
Support from Ohio University	3,524,242	3,839,321
Gifts and grants for other than capital purposes	1,936,783	2,078,719
Net cash provided by noncapital financing activities	5,461,025	5,918,040
Cash Flows from Capital Financing Activities		
Capital grants and gifts received	23,988	43,666
Payments on related party notes payable	(18,766)	(17,764)
Purchases of capital assets	(335,246)	(341,073)
Net cash used in capital financing activities	(330,024)	(315,171)
Net Decrease in Cash Equivalents	(594,637)	(191,027)
Cash Equivalents - Beginning of year	594,637	785,664
Cash Equivalents - End of year	**$ -**	**$ 594,637**

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2009	2008
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (7,971,115)	$ (7,933,695)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	858,563	910,565
In-kind	1,070,752	1,289,052
Changes in assets and liabilities:		
Accounts receivable	(33,092)	-
Accounts payable, accrued liabilities, and deferred revenue	371,312	(74,524)
Accrued compensated absences	(22,058)	14,706
Net cash used in operating activities	**$ (5,725,638)**	**$ (5,793,896)**

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The WOUB Center for Public Media (the "Center") is owned and operated by Ohio University (the "University"), Athens, Ohio. The Center, a unit of the Scripps College of Communication, manages four non-commercial public television stations, WOUB-TV and DT in Athens, Ohio, and WOUC-TV and DT in Cambridge, Ohio and one cable channel, WOUB II - channel 25 on Time Warner in Athens, Ohio. The signal of WOUC-TV/DT was repeated on translators in Millersburg and Loudonville, Ohio, until June 15, 2008, when both translators were decommissioned. WOUC's digital signal covers both Millersburg and Loudonville. The Center also manages six non-commercial public radio stations, WOUB-AM and WOUB-FM in Athens, Ohio; WOUC-FM in Cambridge, Ohio; WOUL-FM in Ironton, Ohio; WOUH-FM in Chillicothe, Ohio; and WOUZ-FM in Zanesville, Ohio. Other services provided by the Center include: audio and video productions; a nightly news program; regular radio news and sports reports; a Media Distribution Center for Ohio University; distance learning facilitation from the Athens campus to the regional campuses through the Ohio University Learning Network; community outreach to 37 counties; educational services to schools in 18 counties; student professional development for approximately 250 students a year; teleconferencing, streaming, and engineering consulting services; and interactive services through www.woub.org.

The Center is not a separate legal entity and operates as a department of the University. The accompanying separate financial statements of the Center are prepared solely to meet the reporting requirements of the Corporation for Public Broadcasting, a major funding organization. These financial statements include only the activities of the Center, and therefore they are not intended to present fairly the financial position, change in financial position, and cash flows of the University in conformity with accounting principles generally accepted in the United States of America. For a more extensive disclosure of significant accounting policies, refer to the University's financial statements available by contacting the Controller's Office, 204 HDL Center, Athens, OH 45701 (740) 593-0342.

Financial Statement Presentation - The financial statement presentation required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended, provides a comprehensive, department-wide (in this instance) perspective of the Center's assets, liabilities, net assets, revenues, expenses, and changes in net assets, and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The Center follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Center has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Basis of Accounting - As a department of the University, the Center's financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect certain amounts reported in the financial statements. The estimates and assumptions are based on currently available information and actual results could differ from those estimates.

Capital Assets - If purchased or constructed, capital assets are recorded at cost in the year of purchase or construction. If donated, they are recorded at their estimated fair market value as of the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Following are the capitalization levels and estimated useful lives of the asset classes:

Asset Class	Capitalize at	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$100,000	N/A
Infrastructure	$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$2,500	5-25 years

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not materially increase the value of the capital asset or materially extend its life are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land and land improvements are not depreciated.

Compensated Absences - University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability incurred is recorded at year end as a noncurrent liability in the statement of net assets, and the change over the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net assets.

Net Assets - The Center's net assets are categorized as described below:

- **Invested in Capital Assets - Net of Related Debt** - This represents the Center's investment in capital assets net of related debt.
- **Restricted Net Assets - Expendable** - Restricted expendable net assets represent assets that are restricted by a third party either legally or contractually.
- **Unrestricted Net Assets** - Unrestricted net assets are resources derived primarily from operating funds provided by the University, which are designated for use by the Center, and from third parties whose only restriction over the use of resources provided is for the benefit of the Center as determined by management.

Income Taxes - The University is an organization described in Section 115 of the Internal Revenue Code of 1986 (the "Code") and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. As such, the Center is exempt from income taxes other than taxes on certain revenues, which are considered unrelated business income.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Classification of Revenues - Revenues are classified as either operating or nonoperating according to the following:

- **Operating Revenues** - Operating revenues include revenues from activities that have characteristics similar to exchange transactions. These include sales and services, and certain grants, which require that the Center provide goods or services to the grantor of equal value to the grant dollars received.

- **Nonoperating Revenues** - Nonoperating revenues include revenues from activities that have characteristics of nonexchange transactions such as support from the University and certain grants, which do not require the Center to provide goods or services to the grantor of equal value to the grant dollars received.

Support from the University - The University provides indirect support to the Center through its administration and physical plant support. Indirect support is recorded as revenue and expense as incurred in the accompanying statement of revenues, expenses, and changes in net assets.

Administrative support is derived from the percentage of certain of the Center's operating expenditures over the University's total educational and general expenditures excluding separately budgeted research, public service, scholarships, and fellowships. This percentage is applied against the University's overall institutional support to determine the administrative support expense to allocate to cost centers, based on the direct operating expenses.

Physical plant support is determined by an assessment of the square footage assigned the Center and the cost per square foot of providing types of physical plant support. Expenses are allocated to cost centers according to estimated square footage.

In-kind Support - In-kind support is provided by Educational Technology for Southeastern Ohio and e-Tech. These values are based upon statements provided by the respective agency. Expenses are allocated to cost centers based on the nature of the in-kind support provided. In-kind support is included in both revenues and expenses in the accompanying statement of revenues, expenses, and changes in net assets.

Related Parties - Contributions received by The Ohio University Foundation (the "Foundation"), which are restricted as to use for the Center, are managed by the Foundation. The Center records cash received from the Foundation as both revenue and expense when monies are used by the Foundation to pay expenses.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The Center does not maintain a separate cash account; therefore, all of the Center's receipts and disbursements are reflected in the accounts of the University. The Center's share of cash accounts is reflected on the statement of net assets as accounts receivable - related party or as accounts payable - related party. For the purpose of the statement of cash flows, this account is considered a cash equivalent.

Newly Issued Accounting Pronouncements - The Center will be required to implement the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* effective with the fiscal year ending June 30, 2010. This statement addresses accounting and financial reporting for intangible assets with regard to recognition, initial measurement, and amortization.

The Center will be required to implement the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective with the fiscal year ending June 30, 2010. This statement addresses accounting and financial reporting for derivative instruments with regard to recognition, measurement, and disclosure.

Center management has not yet determined the impact that implementation of GASB Statements Nos. 51 and 53 will have on the Center's financial statements.

Note 2 - Capital Assets

Capital assets reported by the Center are assets of the State of Ohio, with the University having custodial responsibility. The building values have been prorated based upon the Center's percentage usage of the net assignable square footage, applied to the actual cost plus improvements of the buildings. Equipment represents items listed on the University's general ledger as equipment for the Center with a unit value of at least $2,500 and an estimated useful life of five years or more.

Note 2 - Capital Assets (Continued)

The following tables present the changes in the various capital assets categories for the years ended June 30, 2009 and 2008:

	Balance June 30, 2008	Additions	Transfers In (Out)	Disposals	Balance June 30, 2009
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	270,736	50,927	(321,663)	-	-
Total capital assets not being depreciated	339,971	50,927	(321,663)	-	69,235
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,476,894	-	321,663	-	3,798,557
Machinery and equipment	10,307,008	284,319	(5,112)	(72,187)	10,514,028
Total capital assets being depreciated	19,347,697	284,319	316,551	(72,187)	19,876,380
Total capital assets	19,687,668	335,246	(5,112)	(72,187)	19,945,615
Less accumulated depreciation:					
Infrastructure	2,844,957	246,307	-	-	3,091,264
Buildings	2,866,298	113,961	-	-	2,980,259
Machinery and equipment	6,945,316	498,295	-	(42,020)	7,401,591
Total accumulated depreciation	12,656,571	858,563	-	(42,020)	13,473,114
Total capital assets being depreciated - Net	6,691,126	(574,244)	316,551	(30,167)	6,403,266
Capital assets - Net	$ 7,031,097	$ (523,317)	$ (5,112)	$ (30,167)	$ 6,472,501

Note 2 - Capital Assets (Continued)

	Balance June 30, 2007	Additions	Transfers In (Out)	Disposals	Balance June 30, 2008
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	-	270,736	-	-	270,736
Total capital assets not being depreciated	69,235	270,736	-	-	339,971
Capital assets being depreciated:					
Infrastructure	5,563,795	-	-	-	5,563,795
Buildings	3,476,894	-	-	-	3,476,894
Machinery and equipment	10,290,372	70,337	6,080	(59,781)	10,307,008
Total capital assets being depreciated	19,331,061	70,337	6,080	(59,781)	19,347,697
Total capital assets	19,400,296	341,073	6,080	(59,781)	19,687,668
Less accumulated depreciation:					
Infrastructure	2,598,650	246,307	-	-	2,844,957
Buildings	2,764,745	101,553	-	-	2,866,298
Machinery and equipment	6,442,392	562,705	-	(59,781)	6,945,316
Total accumulated depreciation	11,805,787	910,565	-	(59,781)	12,656,571
Total capital assets being depreciated - Net	7,525,274	(840,228)	6,080	-	6,691,126
Capital assets - Net	$ 7,594,509	$ (569,492)	$ 6,080	$ -	$ 7,031,097

Certain equipment was purchased with grants from the National Telecommunications and Information Administration (NTIA) under their Public Telecommunications Facilities Program (PTFP). The equipment is considered to be owned by the University and is included in the books at net book value. Each piece of equipment is subject to a 10-year lien with the United States Department of Commerce NTIA/PTFP named as the secured party.

Note 3 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2009 and 2008 consist of the following:

	2009	2008
Accounts payable	$ 42,973	$ 61,043
Accrued payroll	26,932	54,717
Total	$ 69,905	$ 115,760

Note 4 - Accrued Compensated Absences

Per University policy, salaried faculty and staff earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2009 and 2008 is $187,863 and $209,580, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2009 and 2008 is $39,902 and $40,243, respectively.

A summary of accrued compensated absences at June 30, 2009 and 2008 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2009	$ 249,823	$ -	$ 22,058	$ 227,765
June 30, 2008	238,417	11,406	-	249,823

Note 5 - Loan Payable - Related Party

The University entered into an agreement with the Center to provide an internal loan in the amount of $951,162 as a match for a 2003 Public Telecommunications Facilities Program (PTFP) grant from the U.S. Department of Commerce. The purpose of the grant was to assist with construction and installation of a tower to support a new broadband antenna at WOUC in Cambridge, Ohio. The bid for the tower project came in at less than the estimate, thereby reducing the match that was needed. Of the original loan amount of $951,162, only $185,958 was needed for the tower project. In early calendar year 2004, the Center requested that $250,042 of the unused loan funds be applied to the new digital master control project, another phase of the digital conversion. In July 2004, additional loan funds of $159,200 were requested and the borrowing limit was increased to $595,200. The internal loan carries an interest rate of 5.5 percent payable over 20 years at the rate of $4,094 per month. Interest-only payments occurred until July 30, 2006, at which time principal payments began.

The loan payable at June 30, 2009 and 2008 is shown as follows:

	Beginning Balance	Borrowed	Retired	Ending Balance	Current
For the year ended:					
June 30, 2009	$ 560,621	$ -	$ (18,766)	$ 541,855	$ 19,825
June 30, 2008	578,385	-	(17,764)	560,621	18,766

Principal and interest payment requirements for the years subsequent to June 30, 2009 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2010	$ 19,825	$ 29,308	$ 49,133
2011	20,943	28,189	49,132
2012	22,124	27,008	49,132
2013	23,372	25,760	49,132
2014	24,690	24,442	49,132
2015-2019	145,982	99,676	245,658
2020-2024	192,069	53,589	245,658
2025-2026	92,850	5,413	98,263
Total	$ 541,855	$ 293,385	$ 835,240

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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*

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University as of and for the year ended June 30, 2009 and have issued our report thereon dated October 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio University'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 Ohio University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohio University's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as Finding 2009-1 to be a significant deficiency in internal control over financial reporting.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio University'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*.

We noted certain matters that we have reported to management of Ohio University in a separate letter dated October 15, 2009.

Ohio University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Ohio University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, board of trustees, others within the entity, the audit committee, the Auditor of the State of Ohio, 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.

Plante & Moran, PLLC

October 15, 2009

Reference Number	Findings
2009-1	**User Account Administration - Terminated Employee Account Access**

Criteria - The University is required to implement effective internal controls over the financial reporting system in order to safeguard the validity of financial information.

Condition - Oracle user accounts with access to sensitive information in the Oracle system were not removed/disabled for terminated employees in a timely manner.

Context - Plante & Moran, PLLC selected a sample size of 19 terminated employees for testing (10 percent of the population). Plante & Moran, PLLC reviewed Oracle system evidence and noted that of the 19 user accounts tested, the length of time to delete or disable account access for 17 user accounts from Oracle exceeded three days. The length of time to delete or remove access for more than half of the 17 accounts identified exceeded 15 days. The three-day length of time was used as a reasonable time period to remove user access privileges.

Plante & Moran, PLLC further investigated the list of 190 terminated users with financial access and determined only 27 had the ability to modify information. Plante & Moran, PLLC reviewed the activity of the 27 users identified and noted three users had logged into the system after their termination date; however, no data changes were made. It should be noted this situation had been identified and remedied in June 2009 (prior to this audit) by the University.

Cause - This issue resulted from inadequate removal of terminated employees from the Oracle system.

Effect - As a result of the issue, multiple employees had access to the financial statement system after the employees' termination dates.

Recommendation - User account access for terminated employees should be immediately disabled to reduce the risk of unauthorized access to University information and systems.

Reference Number	Findings
2009-1 (Continued)	**Views of Responsible Officials and Planned Corrective Actions** - As noted in the finding, the issue had been identified and remediated by OIT staff prior to the start of the audit. In addition, the University is currently implementing an Identity and Access Management Program that would systematically address the concern. This program will have the benefit of automatic provisioning and deprovisioning of resources based on an individual's roles at the University. It will also automate the reconciliation process for all roles at the University. The primary financial systems will be integrated into the solution by the end of the fiscal year.

Mary Taylor, CPA
Auditor of State

WOUB CENTER FOR PUBLIC MEDIA

ATHENS 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
MAY 6, 2010

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