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, 2006 and 2005, 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 Auditors' Report* of the WOUB Center for Public Media, Athens County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. 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

March 27, 2007

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WOUB CENTER FOR PUBLIC MEDIA
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ohio University
Athens, Ohio

We have audited the accompanying statements 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, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and of 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 audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness on the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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.

As discussed in Note 1 to the financial statements, the financial statements of the WOUB Center for Public Media, are intended to present the financial position of the Center as of June 30, 2006 and 2005, and their changes in net assets and their cash flows of only that portion of the funds and account groups of Ohio University, Athens, Ohio, that is attributable to the transactions of the WOUB Center for Public Media. They do not purport to, and do not, present fully the financial position at Ohio University as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2006 and 2005, and their changes in net assets and their 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 ("MD&A") on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Center's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of the University's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

January 31, 2007

WOUB CENTER FOR PUBLIC MEDIA
A Public Media Entity
(A Department of Ohio University)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ("FY") ended June 30, 2006 and June 30, 2005. 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 Center management.

USING THIS REPORT

In June of 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, 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, a public university. GASB has not yet developed accounting standards for presentation of auxiliary (or departmental) entities. For the purposes of this reporting the Center is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 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, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of 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.

STATEMENTS OF NET ASSETS

The Statements of Net Assets present 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 Ohio University (the "University") for the benefit of the Center. All of the Center's receipts and disbursements are recorded in this account. The amounts are $600,296, $957,111 and $1,044,191 for FY06, FY05 and FY04, respectively.

The following chart depicts the breakdown of Assets, Liabilities and Net Assets for the Center for the years ended June 30, 2006, 2005 and 2004:

	2006	2005	2004
Assets:			
Accounts receivable	$ 464,746	$ 110,768	$ 108,758
Accounts receivable-related party	600,296	957,111	1,044,191
Capital assets, net	8,395,822	7,642,058	7,351,222
Total assets	$ 9,460,864	$ 8,709,937	$ 8,504,171
Liabilities:			
Current liabilities	$ 172,951	$ 156,434	$ 118,899
Noncurrent liabilities	821,144	723,137	228,647
Total liabilities	994,095	879,571	347,546
Net assets	$ 8,466,769	$ 7,830,366	$ 8,156,625

The Net Assets are further displayed as follows:

	2006	2005	2004
Invested in capital assets—net of related debt	$ 7,803,248	$ 7,177,405	$ 7,351,222
Restricted expendable	562,469	652,961	748,274
Unrestricted	101,052		57,129
Total net assets	$ 8,466,769	$ 7,830,366	$ 8,156,625

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses, and Changes in Net Assets present the Center's results of operations for the years ended June 30, 2006 and June 30, 2005.

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 $1,239,934, $1,390,644 and $987,275 for FY06, FY05 and FY04, 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 (Ohio 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 $1,783,160, $1,552,041and $1,894,446 for FY06, FY05 and FY04, respectively, are also included in nonoperating revenues as private gifts revenue. Total nonoperating revenues are $8,106,636, $7,301,486 and $7,653,881 for FY06, FY05 and FY04, respectively.

Total Revenues

The following depicts total revenue by source for the years ending June 30, 2006, June 30, 2005 and June 30, 2004:

	2006	2005	2004
Support from Ohio University	$ 4,374,296	$ 4,056,442	$ 3,603,828
Grants and contracts	2,942,152	2,619,362	3,632,668
Sales and services	988,387	992,478	598,778
In-kind support	1,783,160	1,552,041	1,894,446
Total revenue by source	$ 10,087,995	$ 9,220,323	$ 9,729,720

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 $918,647, $866,590 and $802,021 for FY06, FY05 and FY04, respectively, is shown as operating expense.

The following depicts operating expenses for the Center:

	2006	2005	2004
Expenses:			
Program and supporting services	$ 8,475,651	$ 8,679,992	$ 8,384,935
Depreciation	918,647	866,590	802,021
Disposal of plant facilities	57,294		
Total expense by source	$ 9,451,592	$ 9,546,582	$ 9,186,956

Change in Net Assets

Total change in net assets is as follows:

	2006	2005	2004
Operating revenues	$ 1,239,934	$ 1,390,644	$ 987,275
Nonoperating revenues	8,106,636	7,301,486	7,653,881
Capital grants and gifts	741,425	528,193	1,088,564
Expenses	(9,451,592)	(9,546,582)	(9,186,956)
Increase (decrease) in net assets	636,403	(326,259)	542,764
Beginning net assets	7,830,366	8,156,625	7,613,861
Ending net assets	$ 8,466,769	$ 7,830,366	$ 8,156,625

Statements of Cash Flows

The Statements 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 Statements of Net Assets as accounts receivable – related party. For purposes of the Statements of Cash Flows, this account is considered a cash equivalent.

The four categories of presentation and their respective FY06, FY05 and FY04 amounts are:

	2006	2005	2004
Net cash used in operating activities	$ (5,408,290)	$ (5,671,478)	$ (5,683,642)
Net cash provided by noncapital financing activities	6,323,476	5,749,445	5,759,435
Net cash used in capital financing activities	(1,272,001)	(165,047)	(465,847)
Net decrease in cash	(356,815)	(87,080)	(390,054)
Cash equivalents, beginning of year	957,111	1,044,191	1,434,245
Cash equivalents, end of year	$ 600,296	$ 957,111	$ 1,044,191

Items of Interest

Name Change

The name "Telecommunications Center" was changed in October 2005 to the "WOUB Center for Public Media" to better reflect the nature of the business. Since the Center became an independent unit in 1970 and then part of the College of Communication in 1997, there have been significant changes in media and related academic disciplines. Today, the term telecommunications is most commonly used to describe the public switched telephone network and associated technologies. Radio and television stations are expanding their services to Internet, datacasting, and other interactive technologies. With the advent of digital transmission, the Center is moving into these new methods of providing community and educational media services. The phrase “public media” better reflects both the public nature of the services and the broader nature of the delivery systems. It is also a phrase that is finding increased usage within the public broadcasting community across the country.

Digital Conversion

The digital conversion process continued with sixth floor renovation in progress of a new digital master control. When completed, the control room will include a controlled, 12-channel automation system and a large video server. WOUB is currently broadcasting a Standard Definition (“SD”) television stream (which began on October 30, 2003). The digital control room construction costs, for the physical renovation, were completed at a cost of $153,391. In addition, grants received for equipment include an automation system (USDA/RUS grant, $632,336); monitoring equipment (CPB grant, $294,656); a multi-format server (PTFP grant, $483,479), which also included fund for digital asset management and media transfers.

Through FY06, the Center has expended nearly $12 million toward digital conversion. This figure represents equipment usable in the digital transition, capital PTPF matching grants, and $3 million in state digital television appropriations. The total cost for full HD/Multi-channel Television, one channel equipped, is expected to cost an additional $8.3 million which the Center expects to raise through grants, major giving, and other efforts.

Major Giving Initiative

The Corporation for Public Broadcasting provided consultants and other services to stations who wanted to participate in the Major Giving Initiative, a program that goes beyond membership gifts and educates stations on how to cultivate major giving. FY06 was the planning stage for special events with key NPR and PBS personalities, and for like events throughout the region. The goal is to assist stations in becoming more self-sufficient.

Newsroom

Planning began in FY06 to renovate the Center’s Newsroom, which has not been changed since the building was erected in the ‘60s. The Dean of the Scripps College of Communication committed $540,000 from his budget and from House Bill funds (as agreed by the five other Directors in the College) to make the number one priority the renovation of the Newsroom.

The Center continues to receive grants from eTech Ohio for multi-media educational projects for fourth and eighth grade students and teachers.

Radio Revenues

The Center’s radio revenues continue to increase due to participation in the Corporation for Public Broadcasting Audience Survey Challenge Grant. The Center is still investing in additional direct mail pieces—renewals and acquisitions.

Loss of Position Funds

The Center lost a producer/director position when the employee requested to be made part of the faculty in the School of Telecommunications. The salary line of $67,000 (salary and benefits) was transferred out of the Center to the Scripps College of Communication for the position.

Other Items of Interest

"Wired for Books" (www.wiredforbooks.org), the Center's online literature site, was honored by the National Endowment for the Humanities.

"Passion Works: A Story of Flying," the Center's documentary about a sheltered workshop in Athens where people with developmental disabilities produce amazing works of art, was selected to be distributed nationally by the Public Broadcasting Service.

A segment on "Newswatch," the Center's nightly news programs produced by students with oversight by professional staff, won a Communicator Award.

WOUB CENTER FOR PUBLIC MEDIA
A Public Media Entity
(A Department of Ohio University)

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Accounts receivable	$ 464,746	$ 110,768
Accounts receivable—related party	600,296	957,111
Total current assets	1,065,042	1,067,879
NONCURRENT ASSETS—Capital assets—net	8,395,822	7,642,058
TOTAL	$ 9,460,864	$ 8,709,937
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 148,175	$ 156,434
Deferred revenue	8,035	
Current portion of loan payable	16,741	
Total current liabilities	172,951	156,434
NONCURRENT LIABILITIES:		
Accrued compensated absences	245,311	258,484
Loan payable—related party	575,833	464,653
Total noncurrent liabilities	821,144	723,137
Total liabilities	994,095	879,571
NET ASSETS:		
Invested in capital assets—net of related debt	7,803,248	7,177,405
Restricted—expendable—public service	562,469	652,961
Unrestricted	101,052	
Total net assets	8,466,769	7,830,366
TOTAL	$ 9,460,864	$ 8,709,937

See notes to financial statements.

WOUB CENTER FOR PUBLIC MEDIA
A Public Media Entity
(A Department of Ohio University)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
REVENUES—Operating revenues:		
Federal grants and contracts	$ 9,886	$ 159,786
State grants and contracts	241,661	227,657
Private grants and contracts		10,723
Sales and services	988,387	992,478
Total operating revenues	1,239,934	1,390,644
EXPENSES—Operating expenses:		
Program and supporting services	8,475,651	8,679,992
Depreciation	918,647	866,590
Total operating expenses	9,394,298	9,546,582
OPERATING LOSS	(8,154,364)	(8,155,938)
NONOPERATING REVENUES AND EXPENSES:		
Support from Ohio University	4,374,296	4,056,442
Private gifts	3,732,340	3,245,044
Disposals of plant facilities	(57,294)	
Total nonoperating revenues	8,049,342	7,301,486
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(105,022)	(854,452)
CAPITAL GRANTS AND GIFTS	741,425	528,193
INCREASE (DECREASE) IN NET ASSETS	636,403	(326,259)
NET ASSETS—Beginning of year	7,830,366	8,156,625
NET ASSETS—End of year	$ 8,466,769	$ 7,830,366

See notes to financial statements.

WOUB CENTER FOR PUBLIC MEDIA
A Public Telecommunications Entity
(A Department of Ohio University)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 251,547	$ 396,156
Payments to suppliers	(3,121,842)	(3,499,380)
Payments to employees	(2,574,884)	(2,616,990)
Payments for benefits	(949,632)	(942,992)
Payments for scholarships and fellowships	(1,866)	(750)
Sales and services of educational departments	988,387	992,478
Net cash used in operating activities	(5,408,290)	(5,671,478)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Support from Ohio University	4,374,296	4,056,442
Gifts and grants for other than capital purposes	1,949,180	1,693,003
Net cash provided by noncapital financing activities	6,323,476	5,749,445
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Capital grants and gifts received	329,783	528,193
Proceeds from related party notes payable	127,921	464,653
Purchases of capital assets	(1,729,705)	(1,157,893)
Net cash used in capital financing activities	(1,272,001)	(165,047)
NET DECREASE IN CASH	(356,815)	(87,080)
CASH EQUIVALENTS—Beginning of year	957,111	1,044,191
CASH EQUIVALENTS—End of year	$ 600,296	$ 957,111
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (8,154,364)	$ (8,155,938)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	918,647	866,590
In-kind expenses	1,783,160	1,552,041
Loss on disposal of capital assets		467
Changes in assets and liabilities:		
Accounts receivable	57,664	(2,010)
Accounts payable, accrued liabilities, and deferred revenue	(224)	37,535
Accrued compensated absences	(13,173)	29,837
NET CASH USED IN OPERATING ACTIVITIES	$ (5,408,290)	$ (5,671,478)

See notes to financial statements.

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 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. The signal of WOUC-TV/DT is repeated on translators in Millersburg and Loudonville, Ohio. 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. Among other services: audio and video productions; a nightly news program; regular radio news reports throughout the day; a Media Distribution Center for Ohio University; distance learning facilitation from the Athens campus to the regional campuses through the Ohio University Learning Network; providing community outreach to 37 counties; student professional development for approximately 250 students a year; teleconferencing 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 standards generally accepted in the United States of America. For a more extensive disclosure of significant accounting policies, refer to the University's financial statements.

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.

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

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 statements of net assets, and 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.

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.

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 Ohio 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 statements 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 their 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 the Educational Technology Services of Ohio, and eTech. 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 statements 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.

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 statements of net assets as accounts receivable—related party. For purposes of the statements of cash flows, this account is considered a cash equivalent.

Newly Issued Accounting Pronouncements—In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans*. The standards in this statement apply for trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2005. The Center has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information ("RSI") in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The Center has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement established criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a s sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this Statement are effective for financial statements for periods beginning after December 31, 2006. The Center has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007. The Center has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

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.

The following tables present the changes in the various capital asset categories for the years ended June 30, 2006 and 2005:

	Balance June 30, 2005	Additions	Transfers In (Out)	Disposals	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	157,115	25,463	(173,038)		9,540
Total capital assets not being depreciated	226,350	25,463	(173,038)	-	78,775
Capital assets being depreciated:					
Infrastructure	5,563,795				5,563,795
Buildings	3,078,780		173,038		3,251,818
Machinery and equipment	8,916,918	1,704,242		(258,962)	10,362,198
Total capital assets being depreciated	17,559,493	1,704,242	173,038	(258,962)	19,177,811
Total capital assets	17,785,843	1,729,705	-	(258,962)	19,256,586
Less accumulated depreciation:					
Infrastructure	2,106,036	246,307			2,352,343
Buildings	2,582,846	81,647			2,664,493
Machinery and equipment	5,454,903	590,693		(201,668)	5,843,928
Total accumulated depreciation	10,143,785	918,647	-	(201,668)	10,860,764
Total capital assets being depreciated—net	7,415,708	785,595	173,038	(57,294)	8,317,047
Capital assets—net	$ 7,642,058	$ 811,058	$ -	$ (57,294)	$ 8,395,822

	Balance June 30, 2004	Additions	Transfers In (Out)	Disposals	Balance June 30, 2005
Capital assets not being depreciated:					
Land	$ 69,235	$ -	$ -	$ -	$ 69,235
Construction in progress	875,985	552,785	(1,271,655)		157,115
Total capital assets not being depreciated	945,220	552,785	(1,271,655)	-	226,350
Capital assets being depreciated:					
Infrastructure	4,292,140		1,271,655		5,563,795
Buildings	3,078,780				3,078,780
Machinery and equipment	9,009,163	605,108		(697,353)	8,916,918
Total capital assets being depreciated	16,380,083	605,108	1,271,655	(697,353)	17,559,493
Total capital assets	17,325,303	1,157,893	-	(697,353)	17,785,843
Less accumulated depreciation:					
Infrastructure	1,885,732	220,304			2,106,036
Buildings	2,501,199	81,647			2,582,846
Machinery and equipment	5,587,150	564,639		(696,886)	5,454,903
Total accumulated depreciation	9,974,081	866,590	-	(696,886)	10,143,785
Total capital assets being depreciated—net	6,406,002	(261,482)	1,271,655	(467)	7,415,708
Capital assets—net	$7,351,222	$ 291,303	$ -	$ (467)	$7,642,058

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2006 and 2005, consist of the following:

	2006	2005
Accounts payable	$ 94,482	$ 110,234
Accrued payroll	53,693	46,200
	$ 148,175	$ 156,434

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, 2006 and 2005, is $202,349 and $214,453, 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% 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% of unused days (maximum of 60 days). The liability for accrued sick leave at June 30, 2006 and 2005, are $42,962 and $44,031, respectively.

A summary of accrued compensated absences at June 30, 2006 and 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
For the year ended:				
June 30, 2006	$ 258,484	$ -	$ 13,173	$ 245,311
June 30, 2005	$ 228,647	$ 29,837	$ -	$ 258,484

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 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 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. Amounts are drawn as needed, up to the approved borrowing limit of $595,200. The internal loan carries an interest rate of 5.5% payable over 20 years at the rate of $4,094.31 per month. Only interest payments will occur until July 30, 2006, at which time principal payments will begin.

The loan payable at June 30, 2006 and 2005, is shown as follows:

	Beginning Balance	Borrowed	Retired	Ending Balance	Current
For the year ended:					
June 30, 2006	$ 464,653	$ 127,921	$ -	$ 592,574	$ 16,741
June 30, 2005	$ -	$ 464,653	$ -	$ 464,653	$ -

Principal and interest payment requirements for the years subsequent to June 30, 2006, are summarized as follows:

Year ended June 30	Principal	Interest	Total
2007	$ 16,741	$ 32,174	$ 48,915
2008	17,685	31,229	48,914
2009	18,682	30,232	48,914
2010	19,737	29,178	48,915
2011	20,850	28,065	48,915
2012–2016	123,277	121,297	244,574
2017–2021	162,197	82,378	244,575
2022–2026	213,405	31,171	244,576
	$ 592,574	$ 385,724	$ 978,298

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INDEPENDENT AUDITORS' 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 of
Ohio University
Athens, Ohio

We have audited the financial statements of Ohio University (the "University") as of and for the years ended June 30, 2006, and have issued our report thereon dated October 18, 2006. 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 the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the University in a separate letter dated October 18, 2006.

This report is intended solely for the information and use of the Board of Trustees, management of the University, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 18, 2006

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
APRIL 3, 2007

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