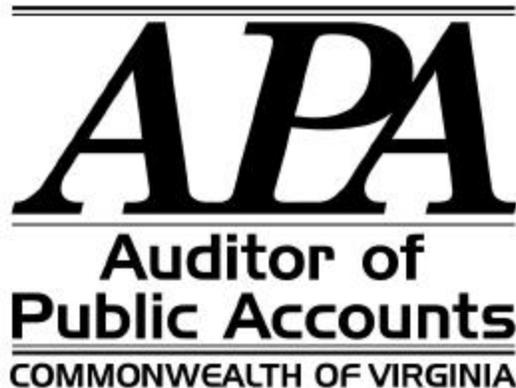


**WNSB-FM RADIO STATION**  
**(A Public Telecommunications Entity**  
**Licensed to Norfolk State University)**  
**NORFOLK, VIRGINIA**

**REPORT ON AUDIT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2004**



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# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

December 10, 2004

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission

The Board of Visitors  
Norfolk State University

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of **WNSB-FM Radio Station** (a public telecommunications entity licensed to Norfolk State University) as of June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of WNSB-FM Radio Station as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Station has not presented the Management's Discussion and Analysis that the governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

AUDITOR OF PUBLIC ACCOUNTS

JHS/whb  
whb:40

WNSB-FM (A PUBLIC TELECOMMUNICATIONS ENTITY  
 LICENSED TO NORFOLK STATE UNIVERSITY)  
 STATEMENT OF NET ASSETS  
 As of June 30, 2004

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ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 3,229
Noncurrent Assets:	
Restricted cash (Note 2)	51,837
Capital assets, net (Note 3)	12,121
Total noncurrent assets	63,958
Total assets	67,187
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses (Note 4)	23,337
Deferred revenue (Note 1F)	51,837
Total current liabilities	75,174
Noncurrent liabilities:	
Accrued compensated absences (Note 1E)	5,043
Total liabilities	80,217
NET ASSETS	
Unrestricted	(13,030)
Total net assets	\$ (13,030)

The accompanying Notes to Financial Statements are an integral part of this statement.

WNSB-FM (A PUBLIC TELECOMMUNICATIONS ENTITY  
LICENSED TO NORFOLK STATE UNIVERSITY)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2004

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Operating revenues:	
Direct administrative support	\$ 226,992
Indirect administrative support	119,284
Private grants and contracts	<u>46,684</u>
Total operating revenues	<u>392,960</u>
Operating expenses:	
Academic support	266,973
Institutional support	114,078
Operation and maintenance of plant	5,206
Depreciation	<u>2,265</u>
Total operating expenses	<u>388,522</u>
Operating income	<u>4,438</u>
Net assets - beginning of year	<u>(17,468)</u>
Net assets - end of year	<u><u>\$ (13,030)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WNSB-FM (A PUBLIC TELECOMMUNICATIONS ENTITY  
 LICENSED TO NORFOLK STATE UNIVERSITY)  
 STATEMENT OF CASH FLOWS  
 For the Year Ended June 30, 2004

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Cash flows from operating activities:	
Direct administrative support	\$ 226,992
Contributions	2,426
Grants and contracts	25,886
Payments to employees	(160,333)
Payments for fringe benefits	(45,711)
Payments for services and supplies	(59,006)
Payments for services and supplies - foundation	<u>(2,560)</u>
Net cash used by operating activities	<u>(12,306)</u>
Cash flows from capital financing activities:	
Purchase of capital assets	<u>(6,199)</u>
Net decrease in cash and cash equivalents	<u>(18,505)</u>
Cash and cash equivalents- beginning of the year	<u>73,571</u>
Cash and cash equivalents - end of the year	<u><u>\$ 55,066</u></u>
Reconciliaiton of net operating loss to net cash used by operating activities:	
Operating income	4,438
Adjustment to reconcile net loss to net cash used by operating activities:	
Depreciation	2,265
Change in assets and liabilities:	
Accounts payable and accrued expenses	(638)
Deferred revenue	<u>(18,371)</u>
Net cash used by operating activities	<u><u>\$ (12,306)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WNSB-FM RADIO STATION  
(A Public Telecommunications Entity Licensed to Norfolk State University)

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

WNSB-FM Radio Station is a public telecommunications entity licensed through the Federal Communication Commission to Norfolk State University. The University is a state-supported school and operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

B. Basis of Presentation

The Station's accounting policies conform with generally accepted accounting principles as prescribed by GASB, including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*.

C. Basis of Accounting

The University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. Capital Assets

Equipment is stated at appraised value or actual cost where determinable. Expenditures for equipment are capitalized when the unit acquisition cost is greater than \$5,000.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from five to eight years.

E. Accrued Compensated Absences

The amount of leave earned, but not taken is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave

payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

NONCURRENT LIABILITIES

A summary of changes in the noncurrent liabilities for the year ending June 30, 2004, is presented as follow:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Accrued compensated absences	\$18,395	\$8,795	\$7,992	\$19,198	\$14,155

F. Deferred Revenue

Deferred revenue primarily includes advance payments on grants prior to the end of the fiscal year, but related to the period after June 30, 2004.

G. Administrative Support

Administrative support from the University consists of allocated departmental costs and certain other expenses incurred by the University on behalf of the Station. Administrative support has been compiled in accordance with guidelines established by the Corporation for Public Broadcasting and consists of the following for the year ended June 30, 2004.

Direct administrative support	\$226,992
Institutional support	114,078
Operations and maintenance of plant	<u>5,206</u>
Total	<u>\$ 346,276</u>

2. CASH

The radio station's cash is held by the Treasurer of Virginia, pursuant to Section 2.2-1800, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash" on the accompanying Statement of Net Assets and is not categorized as to credit risk. Certain deposits are also held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under this Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury board. Savings institutions are required to collateralize 100 percent of deposits in excess of FSLIC limits.

3. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2004, is presented as follow:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Equipment	\$126,123	\$6,199	\$ -	\$ 132,322
Less accumulated depreciation	<u>117,936</u>	<u>2,265</u>	<u>-</u>	<u>120,201</u>
Total capital assets, net	<u>\$ 8,187</u>	<u>\$3,934</u>	<u>\$ -</u>	<u>\$ 12,121</u>

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30, 2004:

Current liabilities:	
Compensated absences – current prtion	\$ 14,155
Salaries and student wages payable	<u>9,182</u>
Total current liabilities – accounts payable and accrued liabilities	<u>\$ 23,337</u>

5. RETIREMENT AND POST-EMPLOYMENT BENEFITS

Employees of the WNSB-FM Radio Station are employees of the University. Substantially all full-time classified salaried employees of the University participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia’s Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the University, has overall responsibility for contributions to these plans.

6. RISK MANAGEMENT

Employees of the WNSB-FM Radio Station are employees of the University. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care plan is administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes worker’s compensation, property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth’s insurance plans is available at the statewide level in the Commonwealth of Virginia’s Comprehensive Annual Financial Report.

NORFOLK STATE UNIVERSITY  
Norfolk, Virginia

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Kevin Appleton, Vice President for Finance and Business

Edward Turner, WNSB-FM Radio Station Manager

