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**LOUISIANA REGISTRATION TELEPHONE AUTHORITY**

**REPORT ON STATE OF THE COMPANY'S  
FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 1996**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. This report is available for public inspection at the State Board of Revenue Legislative Auditor and, where appropriate, at the office of the judicial clerk of court.

7-17-96

Release Date \_\_\_\_\_

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**Hannis T. Bourgeois, L.L.P.**

**Certified Public Accountants**

Donald J. Bourgeois, CPA  
Joseph H. Bourgeois, Jr., CPA  
Walter B. Bourgeois, CPA  
Donald P. Lamb, CPA  
Stephen M. Bourgeois, CPA  
Michael James, CPA  
Donald L. Joseph, CPA  
Douglas A. Nelson, CPA  
  
Lyle W. White, CPA  
Lynn E. Martin, CPA

1111 S. Range Avenue, Suite 101  
Denham Springs, LA 70726  
Phone: (504) 669-8297  
Fax: (504) 663-3863

Members American Institute of  
Certified Public Accountants  
  
200 Louisiana State, Suite 300  
Baton Rouge, LA 70802

September 8, 1998

**Independent Auditor's Report**

Members of the Louisiana Educational  
Television Authority  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the accompanying Component Unit Financial Statements of the Louisiana Educational Television Authority, Baton Rouge, Louisiana, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

In addition, Hannis T. Bourgeois, L.L.P., acting separately, audited the financial statements of the component unit separately presented in the Louisiana Educational Television Authority's component unit financial statements. The component unit audited by us, separately accounts for 100% of the assets, liabilities, revenues and expenses of the financial resources of the component unit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These 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 audits provide a reasonable basis for our opinion.

In our opinion, the Component unit financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Educational Television Authority, Baton Rouge, Louisiana, as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 8, 1998, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements of the Louisiana Educational Television Authority, Baton Rouge, Louisiana, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.) and Schedule of Interagency Revenue are presented for purposes of additional analysis and are not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the component unit financial statements taken as a whole.

Respectfully submitted,

*Annis C. Bourgeois, S.A.P.*

<u>TOTAL PRIMARY GOVERNMENT MEMORANDUM ONLY</u>	<u>COMPONENT UNIT FOUNDED FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING</u>	<u>TOTAL REPORTING ENTITY MEMORANDUM ONLY</u>
\$ 988,508	\$ 545,291	\$ 1,433,799
-	9,587,963	9,587,963
-	97,018	97,018
-	151,333	151,333
538,000	546,778	1,084,778
3,005,846	-	3,005,846
298,000	-	298,000
484,500	-	484,500
-	272,158	272,158
-	6,783	6,783
388,549	-	388,549
<u>8,283,612</u>	<u>-</u>	<u>8,283,612</u>
<u>88,717,123</u>	<u>811,177,386</u>	<u>899,894,509</u>

\$ 978,648	\$ 40,582	\$ 1,019,230
139,050	-	139,050
28,088	-	28,088
37,494	-	37,494
-	2,800,946	2,800,946
3,500	-	3,500

<u>TOTAL PRIMARY GOVERNMENT OPERATIONS ONLY</u>	<u>COMPONENT UNIT POPULATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING</u>	<u>TOTAL REPORTING ENTITY MEMORANDUM ONLY</u>
-	47,037	47,037
-	128,938	128,938
-	<u>14,781</u>	<u>14,781</u>
-	330,764	330,764
380,549	-	380,549
<u>4,281,612</u>	<u>-</u>	<u>4,281,612</u>
5,784,939	3,257,392	8,844,161
1,083,389	-	1,083,389
1,088,000	-	1,088,000
846,895	-	846,895
-	7,483,158	7,483,158
-	<u>1,436,348</u>	<u>1,436,348</u>
<u>2,938,184</u>	<u>9,920,184</u>	<u>11,859,288</u>
<u>48,757,123</u>	<u>411,177,388</u>	<u>4619,894,423</u>

<u>COMPONENT UNITS</u> <u>FOUNDATION</u> <u>FOR EXCELLENCE</u> <u>IN LOUISIANA</u> <u>FINANCIAL EDUCATION</u>	<u>TOTAL</u> <u>REPORTING</u> <u>ENTITY</u> <u>INCORPORATED</u> <u>UNITED</u>
\$ -	\$ 6,923,000
-	152,067
-	1,669
-	11,534
396,127	1,216,714
563,876	563,876
894,488	894,488
1,669,745	1,669,745
129,289	218,299
635,368	635,368
836	133,818
369,873	369,873
457,365	457,365
	<u>242,788</u>
4,832,133	12,914,588
365,889	3,373,494
94,362	99,753
2,373,137	4,415,568
434,866	923,893
-	1,319,063
89,362	410,410
-	11,644
-	594,828
-	<u>273,188</u>
<u>3,361,168</u>	<u>19,819,913</u>

<u>COMPONENT UNIT</u> <u>FOUNDATION</u> <u>FOR EXCELLENCE</u> <u>IN LOUISIANA</u> <u>PUBLIC BROADCASTING</u>	<u>TOTAL</u> <u>REPORTING</u> <u>ENTITY</u> <u>MEMORANDUM</u> <u>ONLY</u>
1,278,967	1,278,967
-	814,000
2,648,332	2,284,661
<u>48,928,104</u>	<u>41,818,288</u>



Louisiana Educational Television Authority  
 (A Public Telecommunications Entity)  
 Operated by the State of Louisiana

STATEMENT OF CASH FLOWS  
ALTERNATE FISCAL YEAR COMMENCING UNIT

For the Year Ended June 30, 1998

Cash Flows From Operating Activities:	
Increase in Net Assets	\$ 1,270,943
Adjustments to Reconcile Excess	
Revenue and Other Support Over Expenses	
to Cash	
Provided by Operating Activities:	
Depreciation	6,782
Net Realized and Unrealized Gain/Loss	
on Marketable Securities	1553,875
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts/Grants	
Receivable	692,549
(Increase) Decrease in Due from Friends	
of L.E.A.	648,669
(Increase) Decrease in Accrued Interest	
Receivable	(98,403)
(Increase) Decrease in Cost of Programs	
Not Yet Broadcast	633,521
(Increase) Decrease in Prepaid Expense	
	35,488
Increase (Decrease) in Accounts Payable	
	29,238
Increase (Decrease) in Due to Louisiana	
Educational Television Authority	338,514
Increase (Decrease) in Deferred Support	
and Revenues	<u>338,831</u>
Net Cash Provided by Operating	
Activities	1,076,389
Cash Flows From Investing Activities:	
Purchases of Investments	(3,804,356)
Proceeds from Maturity of Investments	<u>2,527,988</u>
Net Cash Used in Investing	
Activities	<u>(1,276,368)</u>
Net Increase in Cash and Cash	
Equivalents	300,021
Cash and Cash Equivalents - Beginning of Year	<u>211,570</u>
Cash and Cash Equivalents - End of Year	<u>\$ 511,591</u>

The accompanying notes are an integral part of this statement.

<u>BUDGET</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
\$4,741,000	\$ -
540,300	(100,000)
590,000	(230,315)
-	-
704,827	40,200
-	-
<u>8,658,329</u>	<u>(570,330)</u>
2,909,330	137,000
2,311,074	271,200
80,140	10,071
2,459,855	490,434
53,075	(77,530)
11,040	-
590,420	-
<u>271,140</u>	<u>-</u>
<u>8,658,329</u>	<u>363,201</u>
-	(15,044)
<u>-</u>	<u>(10,032)</u>
<u>\$ -</u>	<u>\$ (30,070)</u>

Louisiana Educational Television Authority  
A Public Telecommunications Entity  
Operated by the State of Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1994

Note 1 - Summary of Significant Accounting Policies -

A. Organization

The Louisiana Educational Television Authority is a political subdivision of the State of Louisiana, Executive Branch. The Authority is supervised by its members as provided in Louisiana Revised Statutes 17:3508.C. The Authority is charged statutorily with making the benefits of educational and public television available to and promoting their use by inhabitants of Louisiana. The Authority's operations are funded through an annual lapsing legislative appropriation. In addition, the Authority has received funds from the State for the purpose of constructing transmitter and tower facilities throughout the State. Amounts included within the Authority's foregoing financial statements are also included in the State of Louisiana's comprehensive annual financial report.

B. Financial Reporting Entity

This component unit financial reporting entity consists of (1) the primary government, (Louisiana Educational Television Authority), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the Authority for financial reporting purposes. The basic criteria are as follows:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Authority to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority.
2. Organizations for which the Authority does not appoint a voting majority but are fiscally dependent on the Authority.

Louisiana Educational Television Authority  
(A Public Telecommunications Entity  
Operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Authority's management has included the following discretely presented component unit in the financial reporting entity:

The Foundation for Excellence in Louisiana Public Broadcasting "the Foundation" is a nonprofit Louisiana corporation that was organized to direct all of its efforts to the support of the Authority. Furthermore, the Foundation operates under the authority of its Board of Directors, who are appointed by the Authority. The Foundation has a June 30, 1998 fiscal year end.

C. Fund Accounting/Basis of Presentation

The financial activities of the Authority, while not legally or practically an established fund account, are organized and operated on a fund basis whereby separate self-balancing sets of accounts are maintained to account for authorized and appropriate specific activities. The funds presented in the financial statements are described as follows:

The general fund is the general operating fund of the Authority. It is used to account for the legislative appropriation provided to fund the general administrative expenses of the Authority and those other expenses not funded through other specific legislative appropriations of revenues.

The capital projects fund is used to account for specific legislative appropriations, Federal grants and State general obligation bond revenues for the construction of transmitter and tower facilities at the stations comprising the Authority's network.

Financial statement presentation of the Foundation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as applicable. As of June 30, 1998, there were no permanently restricted net assets.

Louisiana Educational Television Authority  
[A Public Telecommunications Entity  
Operated by the State of Louisiana]

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

**D. Long-Term Liabilities**

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their Balance Sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. This account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

**E. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The general fund is maintained and reported in the accompanying financial statements on the modified accrual basis of accounting with the exception of appropriated state general fund receipts being recognized when drawn or encumbered.

The capital projects fund is maintained and reported in the accompanying financial statements on a modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough there-

Louisiana Educational Television Authority  
(A Public Telecommunications Entity  
Operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1998

after to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The financial statements of the Foundation for Excellence in Louisiana Public Broadcasting have been prepared on the accrual basis in which revenue is recognized when earned and expenses are recognized when incurred.

Contributions received by the Foundation are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**F. Budgets and Budgetary Accounting**

The budgetary process incorporates a yearly appropriation process which is valid for a period of one year. Title 28:136 provides for an extension period of 45 days in order to liquidate encumbrances established prior to June 30. The Authority is prohibited by Statute to over spend the legally adopted budget by category. Budget revisions are allowed and implemented by budgetary amendment with approval of the legislative Budget Committee and by interim emergency appropriations granted by the Interim Emergency Board. The budgetary information presented in the financial statements represented the last approved budgetary revisions enacted as reflected by the last approved budgetary amendment. This budgetary information was adjusted for in kind contributions which the Authority does not budget for, encumbrances outstanding at year end, and for other miscellaneous adjustments which were in the original budget but not recorded in the financial statements.

Louisiana Educational Television Authority  
(a Public Telecommunications Entity)  
Operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

Budgetary data for the Capital Project Funds has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

**G. Encumbrances**

Encumbrances representing purchase orders, contracts or other commitments are recorded in budgetary funds to reserve portions of applicable appropriations. Encumbrances are part of the budgetary process and are included in actual expenditures when a comparison with budget is necessary. Encumbrances at year-end are not considered expenditures in the financial statements presented on the GAAP basis.

**H. Petty Cash Imprest Fund**

The Authority maintains a permanent travel and petty cash imprest fund in the amount of \$3,100 as authorized by the Commissioner of Administration in accordance with State law. The funds are permanently established and periodically replenished from the Authority's operating fund when expenditure vouchers are processed.

**I. Fixed Assets**

Fixed assets acquired by the Authority are not included in the accompanying financial statements, but are reported in the State of Louisiana's comprehensive annual financial report. The Authority acts only as a custodian of these assets and title actually rests with the State of Louisiana. A summary of changes in general fixed assets for which the Authority was responsible for the year ended June 30, 1998 is presented in Note 7.

Fixed assets of the Foundation for Excellence in Louisiana Public Broadcasting are recorded at cost, less accumulated depreciation, and are depreciated using the straight-line method over the useful lives of the assets, which range from two to five years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Louisiana Educational Television Authority  
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1988

J. Marketable Securities and Investments

In accordance with Statement of Financial Accounting Standards (SFAS) No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in all debt and equity securities with readily determinable fair value are reported at their fair value. All other investments are reported at historical cost if purchased, or, if contributed, at fair value at the date of contribution.

K. Costs Incurred for Programs Not Yet Broadcast

Costs incurred for programs not yet broadcast relate to programs acquired by the Foundation for Excellence in Louisiana Public Broadcasting with broadcast dates subsequent to June 30, 1988. Grants, contributions and underwriting related to these programs are included in deferred revenue. As the programs are telecast, the costs incurred will be included in operating expenses and the related deferred revenue will be recognized.

L. Contributed Services/In-Kind Contributions

In-kind contributions are recorded as revenue and expenditures in the Authority's financial statements. In-kind contributions consist of donated facilities, administrative support, and programming. These donations are recorded at fair value.

During the year ended June 30, 1988, the value of contributed services meeting the requirements for recognition by the Foundation was not material and has not been recorded.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Accrued Vacation and Sick Leave

State employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years of service. There is no limit on the amount of annual or sick leave that can be accumulated. The Authority is legally liable to compensate an employee upon retirement or termination for up



Louisiana Educational Television Authority  
18 Public Telecommunications Facility  
Operated by the State of Louisiana

NOTES TO FINANCIAL STATEMENTS - UNAUDITED

June 30, 1998

to 388 hours of unused annual leave. Therefore, annual leave up to 388 hours per employee is accrued in the general long-term debt account group included in these financial statements. Upon retirement, the number of hours of unused annual leave in excess of 388 hours plus the number of hours of unused sick leave is computed into years or fraction of years and is added to the number of years service earned by the retiree. The unused annual and sick leave is accrued towards the number of years service only for computing the rate of retirement pay due the retiree and does not count toward the number of years necessary for retirement.

**D. Total Columns on Combined Statements - Overview**

The total memorandum only columns on the financial statements are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**F. Income Taxes**

The Foundation for Excellence in Louisiana Public Broadcasting has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in their financial statements.

**G. Statement of Cash Flows**

For purposes of reporting cash flows of the Foundation, cash includes certificates of deposit and all highly liquid debt instruments with original maturities of three months or less when purchased.

**Note 3 - Cash and Cash Equivalents -**

The Authority's and the Foundation's cash and cash equivalents as June 30, 1998 are categorized in three levels of credit risk. Category 1 includes bank balances which are insured or collateralized with securities held by the Authority/Foundation or its agent in the Authority's/Foundation's name. Category 2 includes bank balances which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's/Foundation's name. Category 3 includes bank balances

Louisiana Educational Television Authority  
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NOTES TO FINANCIAL STATEMENTS - CONTINUOUS

June 30, 1998

which are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Authority's/Foundation's name.

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Primary Government:		
Category 1	\$ <u>888,508</u>	\$ <u>888,508</u>
	888,508	888,508
Component Units:		
Category 1	57,447	100,000
Category 2	-	78,179
Cash and Cash Equivalents Not Subject to Categorization: Money Market Mutual Funds	<u>487,688</u>	<u>487,688</u>
	545,291	657,823
Reporting Entity	<u>\$1,433,799</u>	<u>\$1,548,391</u>

**Note 3 - Marketable Securities and Investments :**

The Foundation's investments at June 30, 1998 are recorded at market value and are categorized in three levels of credit risk as follows:

- Category 1 - Insured or registered in the Foundation's name, or securities held by the Foundation or its agent in the Foundation's name.
- Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Foundation's name.
- Category 3 - Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Foundation's name.

In addition, in accordance with state codification, certain money funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Louisiana Educational Television Authority  
 (A Public Telecommunications Entity  
 operated by the State of Louisiana)

BOOKS TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1998

The following is a summary of the Foundation's investments at June 30, 1998:

	<u>CARRIED 1</u>	<u>CARRIED 1</u>	<u>CARRIED 1</u>	<u>COST</u>	<u>MARKET</u>	<u>UNREALIZED</u>	
					<u>VALUE</u>	<u>GAIN</u>	<u>LOSS</u>
U.S. Treasury Securities	\$ -	\$ 134,810	\$1,356,378	\$1,488,389	\$1,531,776	\$ 47,397	\$ -
U.S. Government Agency Securities	-	-	3,828,768	3,828,768	3,058,851	38,383	-
U.S. Government Bond Funds	-	-	878,034	878,034	878,283	-	1,772
Preferred Stocks	-	-	<u>880,848</u>	<u>880,848</u>	<u>818,385</u>	<u>38,457</u>	-
	-	314,810	5,354,890	5,696,839	5,997,397	96,947	1,772
Governmental and Corporate:							
Mutual Fund-Equity Securities				<u>3,398,085</u>	<u>3,078,506</u>	<u>338,481</u>	
	\$ -	\$ 314,810	\$5,354,890	\$9,094,927	\$9,597,983	\$78,438	\$ 1,772

The cost and market value of securities by contractual maturities is as follows:

	<u>COST</u>	<u>MARKET VALUE</u>
Within One Year	\$ 978,252	\$ 967,570
One Year Through Five Years	2,078,672	2,094,433
Five Years Through Ten Years	<u>2,639,995</u>	<u>2,188,878</u>
	5,696,919	5,149,881
Preferred Stocks	880,848	818,506
Mutual Funds - Equity Securities	<u>3,398,085</u>	<u>3,078,506</u>
	\$9,884,297	\$9,557,963

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Statement of Activities are as follows: Realized Gains of \$158,345 which includes capital gain distributions of \$148,887, realized losses of \$679 and the net change in unrealized gains (losses) at June 30, 1998 as compared to June 30, 1997 of \$295,409.

There were no marketable securities held by the primary government at June 30, 1998.

Note 4 - Lease and Rental Commitments -

The Authority's operating rental commitments consist of various tower sites. These operating lease agreements have nonappropriation expiratory clauses that allow cancellation if the legislature does not make an appropriation for its continuation during any future fiscal period.

Louisiana Educational Television Authority  
 (a Public Telecommunications Entity  
 Operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

June 30, 1998

In the prior year, the Authority entered into a lease agreement with E.D.E. Corporation, S.L.C. for rental of space on a tower to be constructed on the KNOX-TV tower site in Monroe, Louisiana. The lease commenced on January 1, 1998 for a period of 40 years from the date of occupancy and required a \$559,800 payment in fiscal year ended June 30, 1997 and a \$50,000 payment in fiscal year ended June 30, 1998. During the fiscal year ended June 30, 1997, the Authority paid \$559,000 from state general fund appropriations as required by the agreement. The Authority paid the additional \$800 in July 1998 as required from a grant received from the U.S. Department of Commerce through a Public Telecommunications Facilities Program. This amount is included in Accounts Payable at June 30, 1998. Total operating rental and lease expenditures for the year ended June 30, 1998, amounted to \$415,589.

Commitments under operating lease agreements provide for annual rental payments as follows:

<u>YEAR</u>	<u>RENTAL PROPERTY</u>	<u>AMOUNT</u>
1999	Tower Sites	\$ 64,380
2000	Tower Sites	32,850
2001	Tower Sites	15,050
2002	Tower Sites	15,050
2003	Tower Sites	15,050
Thereafter	Tower Sites	132,150
		<u>\$274,630</u>

In addition to the above mentioned operating lease agreements, on March 24, 1994 the Authority entered into a separate lease agreement for financing the acquisition of a Telstar Satellite. On January 11, 1997, the previously mentioned satellite experienced a total failure. The Authority was provided limited service for the period from that date until a new satellite could be placed in service in July 1997. An amended lease agreement was then signed which did not change the outstanding balance or monthly payments of the existing lease. However, the amended agreement does provide the Authority the right to receive a warranty reimbursement of \$43,098 per month for the interim period the Authority was out of full service contingent upon the Authority canceling the lease agreement one month in advance of the end of the agreement in the year 2004. This lease qualifies as a capital lease for accounting purposes and therefore, was recorded in the prior year at the present value of the future minimum lease payments as of the date of inception in the General Long-Term Debt Account Group. Per the terms of the agreement, the lease is contingent upon the state legislature continuing to fund appropriations in order for the Authority to meet the lease obligations.

Louisiana Educational Television Authority  
 (A Public Telecommunications Entity  
 Operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1998

The following is a schedule of the future minimum lease payments under capital leases and the present value of the net minimum lease payments at June 30, 1998 of the outstanding leases:

YEAR	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	INTEREST	TOTAL MINIMUM LEASE PAYMENTS
1998	\$ 631,830	\$ 234,539	\$ 866,369
2000	669,884	195,485	865,369
2001	711,139	158,840	869,979
2002	754,936	119,454	874,390
2003	801,186	84,173	885,359
Thereafter	633,263	13,813	647,076
	<u>\$4,201,617</u>	<u>\$ 776,404</u>	<u>\$4,978,021</u>

Note 5 - Schedule of Board Members, Committee Meetings Attended, and Per Diem Paid -

BOARD MEMBER	BOARD AND COMMITTEE MEETINGS ATTENDED	PER DIEM PAID
Dr. William Aronson	3	\$ -
James Beakton	5	"
Wayne Berry	11	"
Lucille Blum	7	"
Carl Crowe	5	"
Bob Davidge	7	"
Mary Eaton	18	"
Frank France	8	"
Felicia L. Harry	2	"
Alston Johnson	6	"
Vicki Krutier	7	"
John Labadie	2	"
Betty Leardiella	7	"
Virginia Lawson	8	"
Jim McNeal	6	"
Cecil Picard	4	"
M. Clinton Raspberry	7	"
Jennifer Kelly	9	"
Dr. Frank Robinson	3	"
Deano Thornton	4	"
Joe Trauble	1	"
Joseph Warhol	8	"
Claudia Williams	3	"
Dr. Donald Webb	1	"
		<u>\$ -</u>

Louisiana Educational Television Authority  
 (a public telecommunications entity  
 operated by the State of Louisiana)

NOTES TO FINANCIAL STATEMENTS - (Continued)

June 30, 1998

Note 6 - Due from Foundation for Excellence in L.E.S. -

During the current and prior years, monies were received from various universities who are leasing unused transmitter space on the satellites owned by Louisiana Educational Television Authority and deposited into the Foundation for Excellence in Louisiana Public Broadcasting. This amount is included in the Due from Foundation for Excellence in Louisiana Public Broadcasting amount as presented in these financial statements. At June 30, 1998, the amount owed by the Foundation for these receipts is \$1,307,361 which includes \$213,608 of interest earnings.

Note 7 - Changes in General Fixed Assets -

A summary of changes in general fixed assets, both movable and immovable, for which the primary government was responsible for the year ended June 30, 1998 is presented below:

	<u>LAND, BUILDINGS, AND IMPROVEMENTS</u>	<u>FURNITURE AND EQUIPMENT</u>	<u>TOTAL</u>
Balance - June 30, 1997	\$11,937,608	\$13,882,881	\$25,472,439
Additions/Donations	884,000	258,864	823,868
Deletions	-	(781,723)	(781,723)
Balance - June 30, 1998	<u>\$12,523,608</u>	<u>\$13,239,998</u>	<u>\$25,533,582</u>

A summary of changes in general fixed assets of the component unit is as follows:

	<u>FURNITURE AND EQUIPMENT</u>
Balance - June 30, 1997	\$ 35,800
Additions	-
Deletions	-
Balance - June 30, 1998	35,800
Less: Accumulated Depreciation	(27,122)
Net Balance - June 30, 1998	<u>\$ 8,678</u>

Louisiana Educational Television Authority  
 & Public Telecommunications Entity  
 Operated by the State of Louisiana

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

**Note 8 - Summary of Changes in Long-Term Debt -**

Long-term liabilities that will be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. The General Long-Term Debt Account Group shows only the measurement of financial position and is not involved with measurement of results of operations.

The following is a summary of the changes to General Long-Term Obligations for the year ended June 30, 1998:

	BALANCE AT JULY 1 1997	ADDITIONS	REDUCTIONS	BALANCE AT JUNE 30, 1998
Compensated Absences Payable	\$ 375,444	\$ 5,165	\$ -	\$ 380,609
Obligations Under Capital Lease	4,798,048	-	588,429	4,209,619
	<u>\$5,173,492</u>	<u>\$ 5,165</u>	<u>\$ 588,429</u>	<u>\$4,590,228</u>

**Note 9 - Retirement System -**

Plan Description: Substantially all employees of the Authority are members of the Louisiana State Employees' Retirement System (LSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. LSERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and awarded by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LSERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504)933-0698.

Louisiana Educational Television Authority  
A Public Telecommunications Entity  
operated by the State of Louisiana

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1988

**Funding Policy:** Plan members of the Authority are required by state statute to contribute 7.5 percent of their annual covered salary and the office (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 13.0 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contribution is funded by the State of Louisiana through the annual legislative appropriation. The Authority's contributions to LAMBEA for the year ended June 30, 1988 was \$530,414, of which \$190,484 was contributed by employees and \$339,930 was contributed by the Authority and were equal to the required contribution for the year.

**Note 10 - Post Retirement Health Care and Life Insurance Benefits -**

LA 42:921 through 42:940 establishes the self-insured and self-funded state employees group health care and life insurance program and authorizes the Authority to provide certain continuing health care and life insurance benefits for its retired employees. Subsequently all of the Authority's employees become eligible for those benefits if they reach normal retirement age while working for the Authority. Monthly premiums are paid jointly by the employees and the employer (from the Authority's appropriation) for both retirees' and active employees' benefits regardless of whether benefits are provided by Group Benefits or one of the HMO's authorized by Group Benefits. The Authority recognizes the cost of providing benefits as an expenditure when paid during the year. For the year ended June 30, 1988, the costs of retirees' benefits totaled \$44,584, while the number of retirees is 19. The cost of retirees' benefits is net of participant's contributions.

**Note 11 - Related Party Transactions/Restricted Net Assets -  
Friends of Louisiana Public Broadcasting -**

The Louisiana Educational Television Authority d/b/a Louisiana Public Broadcasting (LPB) and Friends of Louisiana Public Broadcasting entered into a mutual agreement dated December 4, 1984. Under the terms of this agreement, cash and investments with a market value of \$1,900,000 were transferred upon execution of the agreement from Friends of Louisiana Public Broadcasting to an



Louisiana Educational Television Authority  
(A Public Telecommunications Entity  
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1998

outside third party, the Baton Rouge Area Foundation, who established a fund in the name of LPE in the nature of an endowment, to provide current income and long term protection for the operations of LPE. Per the terms of the agreement LPE may designate who the funds are distributed to and therefore designated the Foundation to receive these funds.

Furthermore, a separate agreement dated August 8, 1984, was entered into between Friends of Louisiana Public Broadcasting and the Foundation for Excellence in Louisiana Public Broadcasting. Under the terms of this agreement, Friends of Louisiana Public Broadcasting transfer quarterly excess funds as calculated per the agreement, to be used to pay for certain approved expenses. For the fiscal year ended June 30, 1998, \$1,095,745 was transferred to the foundation (which includes a receivable of \$232,158) under the terms of this agreement.

At June 30, 1998, \$1,421,063 of temporarily restricted net assets are available for the purposes specified in these two agreements described in the preceding paragraphs.

**Note 12 - Risk Management Reimbursements -**

During the current year, Risk Management paid approximately \$100,000 to replace equipment, transmitters, tower lines, etc. that were destroyed in connection with the collapse of the KROK Hebron Tower which occurred in March, 1997. This revenue, as well as the corresponding expenses, is not reflected in these financial statements. However, the destroyed fixed asset items have been removed from the Authority's fixed asset listing and the new fixed asset items which amounted to \$812,000, are included in the current year fixed asset additions.

**Note 13 - Designation of Fund Balance -**

During the prior year, Louisiana Educational Television Authority's Board Members Designated \$1,000,000 of the Authority's fund balance to fund future anticipated technological advances in converting to digital television and expenses relating to maintenance and replacement of the satellites. These funds have accumulated from satellite rental revenue earned in the current and prior years.

Louisiana Educational Television Authority  
(A Public Telecommunications Entity  
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1998

Note 14 - Reserve of Fund Balance - General Fund -

In accordance with a FY 93/94 state budget amendment dated June 28, 1993, the State of Louisiana appropriated to the Authority \$284,000 for the purpose of purchasing closed captioned equipment, video equipment, and for conducting digital transmission studies. This amount was received subsequent to year end and accordingly has been recorded as a receivable and revenue in these financial statements. The actual equipment purchases and tower studies which amounted to \$284,000 did not occur until subsequent to June 30, 1998. Since these expenses had not been incurred as of June 30, 1998, a reservation for ~~encumbrances~~ capital outlay has been recorded as of June 30, 1998.

INTER-AGENCY COOPERATION

Louisiana Educational Television Authority  
A Public Telecommunications Entity  
Operated by the State of Louisiana

SCHEDULE OF INTERAGENCY REVENUE

For the Year Ended June 30, 1988

PROGRAM

Litka	\$ 48,866
Civil Service	3,727
Technical College	78,798
Chopin	18,000
Comprehensive Public Training Program	<u>18,626</u>
Total Interagency Revenue	<u>\$152,057</u>

Louisiana Educational Television Authority  
 (a Public Telecommunications Entity  
 operated by the State of Louisiana)

SCHEDULE OF RESTRUCTURES OF FEDERAL AWARDS

For the Year Ended June 30, 1998

<u>FEDERAL CHARTER/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>
<u>U.S. Department of Education</u>		
Passed thru State of Louisiana Department of Education		
Special Education - I.D.E.A. - Part B Section 619 Preschool Grant	84.173	\$115,580
Special Education - I.D.E.A. - Part B Section 619 Preschool Grant	84.173	\$115,580
Special Populations - I.D.E.A. Disabilities Grant	84.027	\$ 9,260
Total U.S. Department of Education		
<u>National Urban League</u>		
Rate for calculating Change		\$ 2,800
Total National Urban League		
<u>U.S. Department of Commerce</u>		
Public Telecommunications Facilities Program	31.550	\$912,254
Public Telecommunications Facilities Program	31.550	\$558,000
Total U.S. Department of Commerce		
Total Federal Assistance		

DEFERRED REVENUE AT JUNE 30, 1957	GRANT RECEIPTS ON REVENUES <u>RECOGNIZED</u>	DISBURSEMENTS/ <u>EXPENDITURES</u>	DEFERRED REVENUE AT JUNE 30, 1958
\$ -	\$114,447	\$114,447	\$ -
-	313,288	113,288	-
<u>-</u>	<u>9,288</u>	<u>9,288</u>	<u>-</u>
-	236,927	236,927	-
<u>1,287</u>	<u>-</u>	<u>-</u>	<u>1,287</u>
1,287	-	-	1,287
39,660	-	39,660	-
<u>-</u>	<u>550,800</u>	<u>550,800</u>	<u>-</u>
39,800	550,800	583,588	-
<u>\$ 35,847</u>	<u>\$786,827</u>	<u>\$820,587</u>	<u>\$ 1,287</u>

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



# Harris T. Bourgeois, L.L.P.

Certified Public Accountants

Suite 1, Metairie, L.S.  
P.O. Box 10000, Metairie, L.S.  
Metairie, L.S. 70002  
Metairie, L.S. 70002  
Metairie, L.S. 70002  
Metairie, L.S. 70002  
Metairie, L.S. 70002  
Metairie, L.S. 70002

1111 S. Boudry Avenue, Suite 101  
Baton Rouge, LA 70806  
Phone: (504) 685-8287  
Fax: (504) 682-3813

Member American Institute of  
Certified Public Accountants  
1500 Louisiana Drive, Suite 200  
Baton Rouge, L.S. 70802

Page 17, Item 10,  
Local News, 1998

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September 8, 1998

Members of the Louisiana Educational  
Television Authority  
State of Louisiana  
Baton Rouge, Louisiana

We have audited the component unit financial statements of the Louisiana Educational Television Authority, Baton Rouge, Louisiana in component unit of the State of Louisiana as of and for the year ended June 30, 1998, and have issued our report thereon dated September 8, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial



statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the Authority's management in a separate letter dated September 8, 1998.

This report is intended solely for the information of management, the Census Bureau, and the Office of the Legislative Auditor, State of Louisiana, Louisiana Department of Education, and various cognate agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Louisiana Educational Television Authority, Baton Rouge, Louisiana, becomes a matter of public record.

Respectfully submitted,

*Thomas J. Bergquist, LLP*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133



**Hannis T. Bourgeois, L.L.P.**

**Certified Public Accountants**

1111 S. Rampart Avenue, Suite 101  
Denham Springs, LA 70726  
Phone: (504) 865-8297  
Fax: (504) 867-9813

Members American Institute of  
Certified Public Accountants

5000 Lakeside Drive, Suite 200  
Baton Rouge, LA 70805

David J. Bourgeois, CPA  
Joseph D. Richard, Jr., CPA  
Thomas R. Bourgeois, CPA  
Thomas R. Bourgeois, CPA  
Kathleen M. Bourgeois, CPA  
Michael J. Bourgeois, CPA  
Donald J. Appert, CPA  
Stephanie L. Adams, CPA  
Teresa D. Smith, CPA  
Linda L. Martin, CPA

A MEMBER COMPANY COMPANY

September 8, 1998

Members of the Louisiana Educational  
Television Authority  
State of Louisiana  
Baton Rouge, Louisiana

**Compliance**

We have audited the compliance of the Louisiana Educational Television Authority, Baton Rouge, Louisiana (a component unit of the State of Louisiana) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Authority's major federal program for the year ended June 30, 1998. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

#### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Census Bureau, and the Office of the Legislative Auditor, State of Louisiana, Louisiana Department of Education, and various cognate agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Louisiana Educational Television Authority, Baton Rouge, Louisiana, becomes a matter of public record.

Respectfully submitted,

*Thomas J. Bourgeois, S.B.P.*

Louisiana Educational Television Authority  
(A Public Telecommunications Entity  
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended June 30, 1998

As required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of our audit:

- \* Type of report issued on financial statements - unqualified.
- \* Type of report issued on compliance for major program - unqualified.
- \* The results of audit procedures disclosed no material non-compliance in major programs.
- \* The results of audit procedures disclosed no questioned costs.
- \* Our audit disclosed no findings which are required to be reported under Section 510(a).
- \* The following program was determined to be a major program:

COST NUMBER

U.S. Department of Commerce Public Telecommunications Facilities Program	\$1,600
---	---------

- \* The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 as specified under Section 520(b).
- \* The Authority qualified as a low risk auditee under Section 530.

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**LOUISIANA EDUCATIONAL TELEVISION AUTHORITY**

**MANAGEMENT LETTER**

**JUNE 30, 1998**



Members of the Louisiana Educational  
Television Authority  
September 8, 1978  
Page 2

This report is intended solely for the use of management, the Census Bureau, and the Office of the Legislative Auditor, State of Louisiana, Louisiana Department of Education, and various cognizant agencies, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Louisiana Educational Television Authority, Baton Rouge, Louisiana, is a matter of public record.

Respectfully submitted,

*Thomas J. Bourgeois, M.P.*





**LOUISIANA  
PUBLIC  
BROADCASTING**

1101 Poydras Street  
Baton Rouge, LA 70802  
(225) 387-5600 • Fax: (225) 478-4200  
www.lpb.org

September 25, 1998  
Dear Mr. Vitor:

September 25, 1998

Ms. Celeste Vitor, CPA  
Harris T. Bourgeois & Co., L.L.P.  
2032 Tremont Drive, Suite 200  
Baton Rouge, LA 70808-1487

Re: Louisiana Educational Television Authority Audit ending June 30, 1997  
State Property Management Report

Dear Ms. Vitor:

LETA concurs that the total additions to fixed assets in the State Property Management Report are to be made timely. Further, the additions to fixed assets in the report are now current. The delay in making the additions was a result of personnel shortage in the business office as well as our intent to have acquisitions accepted as compliant with specifications prior to their being tagged and entered into the system. New procedures have been implemented to assure timely reporting of receipt of goods, subsequent tagging of equipment and recording in the State Property Management Report. All agency personnel will be notified of the implementation of the new procedures to assure compliance.

Sincerely,

Thomas Bernades  
Administrative Director