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KSLU - FM RADIO

A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

Financial Statements and  
Independent Auditor's Report

June 30, 1998

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. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date ~~DEC 9 1998~~

KSLU - FM RADIO  
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Financial Statements and  
Independent Auditor's Report

June 30, 1998

CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	-	1
FINANCIAL STATEMENTS		
Statement of Financial Position	A	2
Statement of Activities	B	3
Statement of Cash Flows	C	4
Notes to the Financial Statements	-	5 - 11
OTHER INDEPENDENT AUDITOR'S REPORTS AND FINDINGS AND RECOMMENDATIONS		
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	-	14 - 15
Current Year Audit Findings and Recommendations	-	17
Corrective Action Plan for Current Year Audit Findings	-	19
Summary Schedule of Prior Audit Findings	-	21

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

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Certified Public Accountants

November 12, 1998

## INDEPENDENT AUDITOR'S REPORT

Mr. Ron Nethercutt,  
General Manager  
KSLU-FM Radio  
Hammond, Louisiana

We have audited the accompanying statement of financial position of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University as of June 30, 1998, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of KSLU-FM Radio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KSLU-FM Radio as of June 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 1998 on our consideration of KSLU-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

  
DURNIN & JAMES, CPA'S

KSLU-FM RADIO  
A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

STATEMENT OF FINANCIAL POSITION

June 30, 1998

	1998
<b>ASSETS</b>	
University Intra-Fund Balance	\$ 71,939
Accounts Receivable	200
Equipment, Net of Accumulated Depreciation	<u>37,169</u>
<b>TOTAL ASSETS</b>	<b><u>\$109,308</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
University Intra-Fund Deficit	\$ <u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>
<b>NET ASSETS</b>	
Unrestricted	<u>109,308</u>
<b>TOTAL NET ASSETS</b>	<u>109,308</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$109,308</u></b>

The accompanying notes are an integral part of this statement.

KSLU-FM RADIO  
A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

STATEMENT OF ACTIVITIES

June 30, 1998

	1998
CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues and Gains:	
Contributions from Southeastern Louisiana University:	
General Appropriation	\$ 162,393
Donated Facilities and Administrative Support	85,241
In-Kind Donated Broadcast Facilities	35,548
Student Tuition Assessment	84,649
Grant Revenue	97,525
Private Sector Revenue	8,310
TOTAL UNRESTRICTED REVENUES AND GAINS	473,666
EXPENSES:	
Unrestricted Operating Funds	298,028
Unrestricted Operating Funds	89,971
Community Service Grant - FY 98 Fund	10,906
Community Service Grant - FY 97 Fund	52,070
National Production and Program Acquisition Grants:	
FY 97 Fund	25,444
Louisiana Educational Television Authority Grant	12,574
TOTAL UNRESTRICTED EXPENSES	488,993
DECREASE IN NET ASSETS	(15,327)
NET ASSETS AT BEGINNING OF YEAR	124,635
NET ASSETS AT END OF YEAR	\$ 109,308

The accompanying notes are an integral part of this statement.

KSLU-FM RADIO  
A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

STATEMENT OF CASH FLOWS

June 30, 1998

	1998
Cash Flows from Operating Activities:	
Change in Net Assets	\$(15,327)
Adjustments to Reconcile Change in Net Assets	
To Net Cash Used by Operating Activities:	
Depreciation	12,578
Decrease in University Intra-Fund Receivable	21,615
Decrease in Accounts Receivable	1,400
Receipt of Equipment	9,948
Decrease in University Intra-Fund Liability	<u>(9,591)</u>
Net Cash Provided by Operating Activities	<u>20,623</u>
Cash Flows from Investing Activities:	
Purchase of Equipment	<u>(20,623)</u>
Net Cash Used by Investing Activities	<u>(20,623)</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

KSLU-FM RADIO  
A Public Telecommunications Entity Operated by  
Southeastern Louisiana University

Notes to Financial Statements

June 30, 1998

	<u>PAGE</u>
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	6
(a) ORGANIZATION	6
(b) FUND ACCOUNTING	6 - 7
(c) UNIVERSITY INTRA-FUND BALANCE	7
(d) STATEMENT OF CASH FLOWS	7
(e) FUNCTIONAL ALLOCATION OF EXPENSES	7
(f) INDIRECT CONTRIBUTIONS AND SUPPORT	7
(g) RESTRICTED SUPPORT	7
(h) GIFTS OF LONG-LIVED ASSETS	8
(i) REVENUE RECOGNITION	8
(j) FINANCIAL STATEMENT PRESENTATION	8
(k) CONTRIBUTIONS	8
(2) PROPERTY AND EQUIPMENT	8 - 9
(3) PENSION PLAN	9
(4) FUNCTIONAL EXPENSES	9
(5) GRANTS FROM CORPORATION FOR PUBLIC BROADCASTING	9 - 10
(6) STATE APPROPRIATIONS	10 - 11
(7) INDIRECT ADMINISTRATIVE SUPPORT	11
(8) STUDENT TUITION ASSESSMENT	11



KSLU-FM RADIO  
A Public Telecommunications Entity Operated by  
Southeastern Louisiana University

Notes to Financial Statements

June 30, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of KSLU-FM Radio (the Station) have been prepared on the accrual basis. The significant accounting policies that follow are provided to enhance the usefulness of the financial statements to the reader.

(a) Organization

KSLU-FM Radio is a public telecommunications entity operated by Southeastern Louisiana University in Hammond, Louisiana. Its purpose is to provide public radio programming and broadcasting in Hammond, Louisiana and surrounding areas. The station is funded in part by direct state appropriations through Southeastern Louisiana University, in-kind support from the University, and students self-assessed fees through the University. The station is also funded through grants provided by the Corporation for Public Broadcasting as well as private sector underwriting sources. The station presently has six full-time employees.

(b) Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the station, the accounts of the station are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities, and fund balances of KSLU-FM Radio are reported in self-balancing fund groups as follows:

**Operating Funds** include resources available to support the operations of KSLU-FM Radio. Primary support is provided by Southeastern Louisiana University; however, additional support is provided through in-kind donations and remote broadcast facilities.

**Property Fund** includes resources invested in property and equipment used in KSLU-FM operations.

**Community Service Grant Funds** represent grants funded by the Corporation for Public Broadcasting. The amounts funded are designated for station operating expenses.



KSLU-FM RADIO  
A Public Telecommunications Entity Operated by  
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Notes to Financial Statements (Continued)

**National Production and Programming Grant Funds** represent grants funded by the Corporation for Public Broadcasting. The amounts funded are designated for national production and program acquisition expenses.

(c) University Intra-Fund Balance

Southeastern Louisiana University provides cash management services to KSLU-FM Radio. Amounts included in intra-fund balances represent the respective payable or receivable between KSLU-FM Radio and the university.

(d) Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

(e) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in fund balances. Accordingly, certain costs have been allocated among programs and supporting services benefitted based on total personnel costs or the other systematic bases.

(f) Indirect Contributions and Support

Donated facilities from Southeastern Louisiana University consist of studio and office space together with related occupancy costs and are recorded in revenue and expense at either fair market value or the direct cost with allocations based on KSLU-FM Radio's respective usage.

*In-kind programming support consists of remote broadcasting facilities provided at no cost to KSLU-FM Radio for programming and/or broadcasting operations. The value of such support is generally the cost to the provider or amounts determined to be acceptable to the Corporation for Public Broadcasting.*

(g) Restricted Support

The public broadcaster reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

KSLU-FM RADIO  
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Notes to Financial Statements (Continued)

(h) Gifts of Long-Lived Assets

The public broadcaster reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the public broadcaster reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(i) Revenue Recognition

Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity upon receipt. Other unrestricted revenues are recognized as earned either upon receipt or accrual. State appropriation support is reported as unrestricted revenue. Expenditures of unrestricted funds are recognized as expenses when expended or upon incurrence of the related liability.

(j) Financial Statement Presentation

In 1996 the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," early. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

(k) Contributions

The Organization also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

(2) PROPERTY AND EQUIPMENT

Fixed assets are recorded at cost or, in the case of donated property, at estimated fair market value at the date of receipt. Depreciation is calculated by the straight line method for all property acquired prior to 1981, and for property acquired after 1989, and by the accelerated cost recovery (ACRS) method for all property acquired from 1982 to 1989. Estimated useful lives of property used in depreciation calculations range from three to ten years. Depreciation, was \$11,702 for fiscal year 1998. Expenditures for maintenance and repair are charged against revenues as incurred; cost of major additions and improvements are capitalized.

KSLU-FM RADIO  
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Notes to Financial Statements (Continued)

Property and equipment consist of the following at June 30, 1998:

Transmitting and Broadcast Equipment	\$ 254,942
Furniture and Office Equipment	<u>65,336</u>
	320,278
Less: Accumulated Depreciation	<u>283,109</u>
 Net Property and Equipment	 \$ <u>37,169</u>

(3) PENSION PLAN

All employees of the station are employees of Southeastern Louisiana University and are members of the Louisiana State Employees Retirement System and the Louisiana State Teachers Retirement System. Contributions by the station to these two retirement systems during the year total \$11,865 and \$15,861, respectively. Required disclosures relating to the status of these two retirement systems is provided in the University's financial statements.

(4) FUNCTIONAL EXPENSES

Expenses incurred were for:

	PROGRAM SERVICES			SUPPORT SERVICES			1998 Total
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Total Support Services	
Salaries, wages, benefits	\$ 58,968	\$135,244	\$ -	\$194,212	\$ 85,924	\$ 85,924	\$280,136
Occupancy	236	186	-	422	199	199	621
Dues and subscriptions	3,300	-	-	3,300	29,049	29,049	32,349
Xerox copies	-	-	-	-	272	272	272
Repairs and maintenance	-	2,503	-	2,503	287	287	2,790
Conferences, meetings	-	86	-	86	4,509	4,509	4,595
Advertising	-	-	3,073	3,073	-	-	3,073
Printing	-	-	-	-	80	80	80
Professional services	-	3,545	-	3,545	2,500	2,500	6,045
Office supplies	-	15,995	-	15,995	1,700	1,700	17,695
Depreciation	-	8,314	-	8,314	4,264	4,264	12,578
Telephone	-	-	-	-	3,703	3,703	3,703
Institutional support	27,057	21,361	-	48,418	22,784	22,784	71,202
Physical plant	4,421	3,491	-	7,912	3,723	3,723	11,635
Student work study	-	1,783	-	1,783	-	-	1,783
Rentals	-	1,060	-	1,060	3,615	3,615	4,675
In-kind remote broadcast facility	-	35,548	-	35,548	-	-	35,548
Miscellaneous	-	-	-	-	213	213	213
 TOTALS	 <u>\$ 93,982</u>	 <u>\$229,116</u>	 <u>\$ 3,073</u>	 <u>\$326,171</u>	 <u>\$162,822</u>	 <u>\$162,822</u>	 <u>\$488,993</u>

(5) GRANTS FROM THE CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. Annually, CPB distributes funds in the form of Community Service Grants (CSGs) and National Program Production and Acquisition Grants (NPPAGs) to qualifying public



KSLU-FM RADIO  
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Southeastern Louisiana University

Notes to Financial Statements (Continued)

telecommunication entities.

Community Service Grants (CSGs) are used to augment the financial resources of public broadcasting stations and thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. Also, the Grants may be used to sustain activities begun with Community Service Grants Awarded in prior years.

National Program Production and Acquisition Grants (NPPAGs) are grants limited to the production, acquisition, promotion and distribution of national programming. National programming has been defined as a program placed in the national marketplace of public radio programming. Public broadcaster uses these funds for purposes relating primarily to production and acquisition of programming.

Both the CSG and NPPAG grants are reported on the accompanying financial statements as unrestricted operating funds; however, certain guidelines must be satisfied in connection with application for and use of the Grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of Grant funds, record keeping, audits, financial reporting, and licensee status with the Federal Communications Commission.

The Community Service Grants received and expended during the most recent fiscal years were as follows:

Type of Grant	Year of Grant	Grants Received	Expended			Uncommitted Balance at June 30, 1998
			1995-96 & Prior	1996-97	1997-98	
NPPAG	1994-95	\$28,048	\$21,849	\$ 5,549	\$ -	\$ -
NPPAG	1995-96	\$26,426	\$ -	\$20,906	\$ -	\$ 5,520
CSG	1995-96	\$68,532	\$ 7,045	\$61,487	\$ -	\$ -
CSG	1996-97	\$64,090	\$ -	\$ 3,896	\$60,194	\$ -
NPPAG	1996-97	\$26,490	\$ -	\$ -	\$25,444	\$ 1,046
CSG	1997-98	\$51,694	\$ -	\$ -	\$11,125	\$40,569
NPPAG	1997-98	\$20,978	\$ -	\$ -	\$ -	\$20,978

(6) STATE APPROPRIATIONS

This classification includes financial resources provided to public broadcaster through budgetary authorizations of the State of Louisiana. State appropriations utilized were as follows:

Authorized State Appropriation	<u>1997-98</u> \$162,393
Unexpended Appropriation	-
Accrual Adjustments	-

KSLU-FM RADIO  
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Notes to Financial Statements (Continued)

Operating Fund	162,393
Property Fund	-
Total	<u>\$162,393</u>

(7) INDIRECT ADMINISTRATIVE SUPPORT

A portion of the licensee's general overhead costs relate to and benefit the public broadcaster. Such items include administration, utilities, maintenance and repair. These services were provided without cost and have been allocated to the public broadcaster. The fair value of these services are reported as revenue and expense in the accompanying statement of financial activity.

Donated facilities from the licensee are based on the depreciated value of space occupied.

(8) STUDENT TUITION ASSESSMENT

Each student taking at least four semester hours is assessed a fee per semester which is dedicated to KSLU-FM Radio. Revenue from this source was generated in the amount of \$84,649.

OTHER INDEPENDENT AUDITOR'S REPORTS  
AND FINDINGS AND RECOMMENDATIONS



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

# Durnin & James

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November 12, 1998

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

Mr. Ron Nethercutt,  
General Manager  
KSLU-FM Radio  
Hammond, Louisiana

We have audited the financial statements of KSLU-FM Radio, a licensee and public telecommunications entity operated by Southeastern Louisiana University as of and for the year ended June 30, 1998, and have issued our report thereon dated November 12, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

#### Compliance

As part of obtaining reasonable assurance about whether KSLU-FM Radio's 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 statements 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 KSLU-FM Radio'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.

This report is intended for the information of management, Southeastern Louisiana University, the Louisiana Legislative Auditor and the Corporation for Public Broadcasting. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

  
DURNIN & JAMES, CPA'S

FINDINGS AND RECOMMENDATIONS

KSLU - FM Radio  
A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 1998

FINDINGS AND RECOMMENDATIONS

None.

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

KSLU - FM Radio  
 A Public Telecommunications Entity Operated By  
 Southeastern Louisiana University

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 1998

Ref. #	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken	Additional Explanation
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None.