

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

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT

as of June 30, 1996

| ASSETS | GOVERNMENTAL FUND TYPES | | |
|--|-------------------------|---------------------|---|
| | GENERAL | CAPITAL PROJECTS | ACCOUNT GROUP GENERAL LONG-TERM DEBT |
| | | | |
| Cash and Cash Equivalents - Note 2 | \$ 126,794 | \$ 266,737 | \$ - |
| Marketable Securities and Investments - Note 3 | - | - | - |
| Accrued Interest Receivable | - | - | - |
| Prepaid Expense | - | - | - |
| Costs Incurred for Programs not yet Broadcast | - | - | - |
| Accounts/Grants Receivable | - | - | - |
| Due from the Foundation for Excellence in Louisiana Public Broadcasting - Note 6 | 1,160,884 | - | - |
| Due from State - Interagency Transfer | 88,040 | - | - |
| Due from Friends of Louisiana Public Broadcasting - Note 9 | - | - | - |
| Property and Equipment, at Cost Less Accumulated Depreciation of \$13,563 - Note 7 | - | - | - |
| Amount to be Provided for Accumulated Unpaid Annual Leave | - | - | 335,225 |
| Amount to be Provided for Retirement of Obligation Under Capital Lease - Note 4 | - | - | 5,355,997 |
| Total Assets | \$1,375,718 | \$ 266,737 | \$5,691,222 |
| LIABILITIES AND FUND BALANCES/ NET ASSETS | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 109,518 | \$ - | \$ - |
| Accrued Payroll | 106,295 | - | - |
| Payroll Deductions Payable | 25,859 | - | - |
| Accrued Employee Benefits Payable | 32,694 | - | - |
| Due to Louisiana Educational Television Authority - Note 6 | - | - | - |
| Due to State Treasury | 3,500 | - | - |

(CONTINUED)

Louisiana Educational Television Authority
(A Public Telecommunications Entity
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COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT - (CONTINUED)

as of June 30, 1996

| | GOVERNMENTAL FUND TYPES | | |
|---|-------------------------|---------------------|---|
| | GENERAL | CAPITAL PROJECTS | ACCOUNT GROUP GENERAL LONG-TERM DEBT |
| Deferred Support and Revenues: | | | |
| Underwriting and Local Produc- tions | \$ - | \$ - | \$ - |
| Federal Grants | - | - | - |
| Educational Services | - | - | - |
| Satellite Rental | - | - | - |
| | | | |
| Total Deferred Support and Revenues | \$ - | \$ - | \$ - |
| Accumulated Unpaid Annual Leave Obligation Under Capital Lease Payable - Note 4 | - | - | 335,225 |
| | | | 5,355,997 |
| Total Liabilities | \$ 277,866 | \$ - | \$5,691,222 |
| Fund Balances/Net Assets: | | | |
| Fund Balances: | | | |
| Reserved for Capital Outlay Expenditures | \$ - | \$ 266,737 | \$ - |
| Unreserved-Undesignated - Note 12 | 1,097,852 | - | - |
| Net Assets as Restated, Note 10: | | | |
| Unrestricted | - | - | - |
| Temporarily Restricted | - | - | - |
| | | | |
| Total Fund Balances/Net Assets | \$1,097,852 | \$ 266,737 | \$ - |
| | | | |
| Total Liabilities and Fund Balances/Net Assets | \$1,375,718 | \$ 266,737 | \$5,691,222 |

The accompanying notes are an integral part of this statement.

| <u>TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)</u> | <u>COMPONENT UNIT FOUNDATION FOR EXCELLENCE IN LOUISIANA PUBLIC BROADCASTING</u> | <u>TOTAL REPORTING ENTITY (MEMORANDUM ONLY)</u> |
|---|--|--|
| \$ - - - - <u>-</u> | \$ 31,809 1,987 16,263 <u>18,000</u> | \$ 31,809 1,987 16,263 <u>18,000</u> |
| \$ - 335,225 <u>5,355,997</u> \$5,969,088 | \$ 68,059 - <u>-</u> \$1,310,723 | \$ 68,059 335,225 <u>5,355,997</u> \$ 7,279,811 |
| \$ 266,737 1,097,852 - <u>-</u> \$1,364,589 | \$ - - 5,006,775 <u>2,045,306</u> \$7,052,081 | \$ 266,737 1,097,852 5,006,775 <u>2,045,306</u> \$ 8,416,670 |
| <u>\$7,333,677</u> | <u>\$8,362,804</u> | <u>\$15,696,481</u> |

Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions."

We conducted our audit of the Louisiana Educational Television Authority in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 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 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, 1996, 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 16, 1996, on our consideration of the Authority's internal control structure and a report dated September 16, 1996, on its compliance with laws and regulations.

As discussed in Note 10 to the financial statements, in 1996 the discretely presented component unit changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

Respectfully submitted,

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September 16, 1996

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, 1996, 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 & Co., L.L.P., acting separately, audited the financial statements of the component unit discretely 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 the audit of the discretely presented component unit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND

For the Year Ended June 30, 1996

| | <u>ACTUAL</u> | <u>NONBUDGETED ITEMS AND ADJUSTMENTS</u> | <u>BUDGETARY BASIS</u> |
|---|---------------------|--|----------------------------|
| Revenues: | | | |
| State General Fund | \$ 5,573,891 | \$ - | \$5,573,891 |
| State General Fund by Interagency Transfers | 131,545 | - | 131,545 |
| State General Fund by Self-Generated Revenues | 64,969 | 270,970 | 335,939 |
| Donated Facilities, Administrative Support, and Programming | 67,623 | (67,623) | - |
| Federal Grants | 228,810 | - | 228,810 |
| Other | 49,000 | (49,000) | - |
| Rental Income | <u>658,200</u> | <u>(658,200)</u> | <u>-</u> |
| Total Revenues | \$ 6,774,038 | \$ (503,853) | \$6,270,185 |
| Expenditures: | | | |
| Personal Services | \$ 2,575,844 | \$ - | \$2,575,844 |
| Operating Services | 1,521,392 | (26,900) | 1,494,492 |
| Professional Services | 28,850 | (11,350) | 17,500 |
| Other Charges | 920,379 | 335,939 | 1,256,318 |
| Capital Outlays | 129,309 | (6,273) | 123,036 |
| Interagency Transfers | 11,217 | - | 11,217 |
| Debt Service: | | | |
| Principal Retirement | 727,474 | (200,000) | 527,474 |
| Interest | <u>338,094</u> | <u>-</u> | <u>338,094</u> |
| Total Expenditures | \$ 6,252,559 | \$ 91,416 | \$6,343,975 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 521,479 | \$ (595,269) | \$ (73,790) |
| Fund Balance (Deficit) - Beginning of Year | <u>576,373</u> | <u>(565,750)</u> | <u>10,623</u> |
| Fund Balance (Deficit) - End of Year | <u>\$ 1,097,852</u> | <u>\$ (1,161,019)</u> | <u>\$ (63,167)</u> |

The accompanying notes are an integral part of this statement.

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended June 30, 1996

| | <u>GOVERNMENTAL FUND TYPES</u> | | TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY) |
|--|--------------------------------|-----------------------------|--|
| | <u>GENERAL</u> | <u>CAPITAL PROJECTS</u> | <u>ONLY</u> |
| Revenues: | | | |
| State General Fund | \$5,573,891 | \$ 193,846 | \$5,767,737 |
| State General Fund by Interagency Transfers | 131,545 | - | 131,545 |
| State General Fund by Self-Generated Revenues | 64,969 | - | 64,969 |
| Donated Facilities, Administrative Support, and Programming | 67,623 | - | 67,623 |
| Federal Grants | 228,810 | - | 228,810 |
| Community Service Grant from the Corporation for Public Broadcasting | - | - | - |
| Membership Support from Friends of Louisiana Public Broad- casting | - | - | - |
| Program Underwriting | - | - | - |
| Special Projects/Local Productions | - | - | - |
| Other | 49,000 | - | 49,000 |
| Interest Income | - | - | - |
| Louisiana Public Broadcasting Trust Fund | - | - | - |
| Rental Income - Note 6 | <u>658,200</u> | <u>-</u> | <u>658,200</u> |
| Total Support and Revenue | \$6,774,038 | \$ 193,846 | \$6,967,884 |
| Expenditures: | | | |
| Personal Services | \$2,575,844 | \$ - | \$2,575,844 |
| Travel | - | - | - |
| Operating Services | 1,521,392 | - | 1,521,392 |
| Professional Services | 28,850 | - | 28,850 |
| Other Charges | 920,379 | - | 920,379 |
| Capital Outlays/General Support | 129,309 | 311,051 | 440,360 |
| Interagency Transfers | 11,217 | - | 11,217 |
| Debt Service: | | | |
| Principal Retirement | 727,474 | - | 727,474 |
| Interest | <u>338,094</u> | <u>-</u> | <u>338,094</u> |
| Total Expenditures | <u>\$6,252,559</u> | <u>\$ 311,051</u> | <u>\$6,563,610</u> |

(CONTINUED)

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LOUISIANA EDUCATIONAL TELEVISION AUTHORITY

**REPORT ON AUDIT OF THE COMPONENT
UNIT FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 1996

RECEIVED
LEGISLATIVE CLERK
OCT 17 11 09 AM '96

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 OCT 23 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

| <u>COMPONENT UNIT</u> FOUNDATION FOR EXCELLENCE IN LOUISIANA <u>PUBLIC BROADCASTING</u> | <u>TOTAL</u> REPORTING ENTITY (MEMORANDUM ONLY) |
|---|---|
| \$ 1,055,625 | \$ 1,055,625 |
| - | 404,274 |
| <u>5,996,456</u> | <u>6,956,771</u> |
| \$ <u>7,052,081</u> | \$ <u>8,416,670</u> |

CORRECTIVE ACTION TAKEN:

Management has informed us that although timesheets are being maintained by employees involved in the administration of the grants, the amount charged for indirect cost is a fixed percentage that can only be changed if the State of Louisiana would negotiate a new indirect cost rate at the State level and that the State grants received by L.E.T.A. do not allow for the recovery of indirect costs.

PAYROLL
FINDING:

While performing our payroll test in the prior year, it was noted that for two employees included in our sample, the timesheets selected for testing were signed by the applicable employee but had not been signed by the applicable employee supervisor. It was further noted that for one employee included in our sample the timesheet selected for testing had been signed by the employee's supervisor but not by the employee.

RECOMMENDATION:

We recommended that in order to comply with L.E.T.A.'s stated procedures, all timesheets be signed by both the employee and the employee's supervisor which verifies the hours worked by the employee.

CORRECTIVE ACTION TAKEN:

During the current year, it appears that L.E.T.A.'s payroll procedures were properly followed for the items included in our payroll test sample.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to

the component unit 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the Census Bureau, and the office of the Louisiana 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,

Annex J. Bourgeois & Co., L.L.P.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED
ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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September 16, 1996

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, (a component unit of the State of Louisiana) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Louisiana Educational Television Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material

misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. 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.

This report is intended for the information of management, the Census Bureau, and the Office of 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 A. Bourgeois & Co., L.L.P.

and/or earmarking requirements applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended solely for the information of management, the Census Bureau, the Office of 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, becomes a matter of public record.

Respectfully submitted,

Harold A. Bourgeois & Co., L.L.P.

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

SCHEDULE OF COMPLIANCE FINDING AND QUESTIONED COSTS

For the Year Ended June 30, 1996

| <u>PROGRAM</u> | <u>FINDING/NONCOMPLIANCE</u> | <u>QUESTIONED COSTS</u> |
|---|--|-----------------------------|
| Special Education I.D.E.A.-Section 619 Preschool Grant (Interact Program IV) | While performing testing of indirect costs charged to Federal Awards it was noted that the amount reimbursed by the Interact Program IV Grant was \$424 more than the amount that should have been reimbursed per our calculation. | \$ 424 <u> </u> |

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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September 16, 1996

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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, (a component unit of the State of Louisiana) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of the Louisiana Educational Television Authority, in order to determine our auditing procedures for the purpose of expressing our opinion on the Authority's component unit financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report

addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the component unit financial statements in a separate report dated September 16, 1996.

The management of Louisiana Educational Television Authority, Baton Rouge, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories:

General Requirements

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Drug-Free Workplace Act

Specific Requirements

- Types of Services Allowed
- Matching
- Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Louisiana Educational Television Authority, Baton Rouge, Louisiana, had no major federal financial assistance programs and expended 100% of its total federal financial assistance under the following nonmajor federal financial assistance program:

U.S. Department of Education - Special Education I.D.E.A. Part B
Section 619 Preschool Grant

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims

for one additional item included in our sample that had been purchased through a state contract, no state purchase order or requisition had been completed and approved by State personnel as required.

RECOMMENDATION:

In order to comply with L.E.T.A.'s procedures, we recommended that all purchase orders be signed and approved by the applicable cost center manager. We also recommended that for any items purchased under state contract a state purchase order or requisition be completed and properly approved by State personnel.

CORRECTIVE ACTION TAKEN:

During the current year, it appears that L.E.T.A.'s purchasing procedures were properly followed for the items included in our sample of cash disbursements.

FINDING:

During the current year, we noted that L.E.T.A. paid \$7,212 in late charges on the AT&T capital lease for the satellite transponder.

Upon further review by management, we were informed that due to the conversion of the State's accounting system there was a delay, beyond the control of L.E.T.A., in paying the July, 1995 payment resulting in a late charge of \$3,606. Management also informed us that an additional late charge of \$3,606 was paid for the March, 1996 payment. This late charge was assessed in error by AT&T and should not have been paid by L.E.T.A. Management is currently in the process of negotiating a refund of this amount paid in error.

RECOMMENDATION:

We recommend that in the future, L.E.T.A. implement procedures to ensure that all lease payments are made timely in order to avoid these late charges.

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BATON ROUGE, LA 70809

September 16, 1996

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, (a component unit of the State of Louisiana), as of and for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial

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October 15, 1996

Ms. Celeste Viator, C. P. A.
Hannis T. Bourgeois & Co., L. L. P.
2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809-1487

RE: Louisiana Educational Television Authority Audit ending June 30, 1996; Interact
Program IV

Dear Ms. Viator:

LETA management concurs that, though the amount of indirect cost reimbursement did not exceed that total amount allowed under the grant, the agency will, in the future, request reimbursement of the actual direct cost due when calculating reimbursements.

Sincerely,


Cynthia Y. Rougeou
Chief Administrative Officer

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October 15, 1996

Ms. Celeste Viator, C. P. A.
Hannis T. Bourgeois & Co., L. L. P.
2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809-1487

RE: Louisiana Educational Television Authority Audit ending June 30, 1996;
obligations accruing prior to June.

Dear Ms. Viator:

In 1996, some of the utility bills that accrued in June but billed in July were paid with July 1996/1997 revenue. At the suggestion of the auditor, all such obligations accruing prior to June 15 of the calendar year, though billed in a subsequent fiscal year, will be paid with prior year funds.

Sincerely,



Cynthia Y. Rougeou
Chief Administrative Officer

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October 15, 1996

Ms. Celeste Viator, C. P. A.
Hannis T. Bourgeois & Co., L. L. P.
2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809-1487

RE: Louisiana Educational Television Authority Audit ending June 30, 1996; capital
lease transponder payments

Dear Ms. Viator:


Prior to completion of the ISIS transition, the state accounting system would not process July 1995 invoices for payment until July 25. This delay, beyond the control of LETA, resulted in a late payment of \$3,606.53 due to AT&T for payment on the satellite transponder.

AT&T issued an additional late payment invoice for March. In response to this invoice, LETA issued a check for \$3,606.53.

In reviewing our AT&T payment schedule, LETA has determined that the AT&T invoice reflecting a late charge for March was in error due to the failure of AT&T to timely post the March payment of \$72,1303.69. This timely payment was dated February 8, 1996. We are in the process of seeking recovery from AT&T of the \$3,606.53 that we were billed in error.

New internal procedures and the successful implementation of the ISIS accounting system should ensure that LETA will incur no future late payments from AT&T or any vendor.

Sincerely,


Cynthia Y. Rougeon
Administrative Chief Operator

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

SCHEDULE OF INTERAGENCY REVENUE

For the Year Ended June 30, 1996

| <u>PROGRAM</u> | <u>REVENUE</u> |
|--|------------------|
| Links | \$ 46,863 |
| Professional Accountability | 17,115 |
| Student Financial Aid Teleconference | 8,357 |
| Pennington - Food/Nutrition Teleconference | 28,121 |
| Conferencing Skills | 26,064 |
| Child Care | <u>5,025</u> |
| Total Interagency Revenue | <u>\$131,545</u> |

| <u>DEFERRED REVENUE AT JUNE 30, 1995</u> | <u>GRANT RECEIPTS OR REVENUES RECOGNIZED</u> | <u>DISBURSEMENTS/ EXPENDITURES</u> | <u>DEFERRED REVENUE AT JUNE 30, 1996</u> |
|--|--|--|--|
| \$ - | \$ 69,485 | \$ 69,485 | \$ - |
| - | 109,092 | 109,092 | - |
| <u>-</u> | <u>119,718</u> | <u>119,718</u> | <u>-</u> |
| \$ - | \$298,295 | \$298,295 | \$ - |
| | | | |
| \$ <u>1,987</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,987</u> |
| \$ 1,987 | \$ - | \$ - | \$ 1,987 |
| | | | |
| \$ <u>-</u> | \$ <u>212</u> | \$ <u>212</u> | \$ <u>-</u> |
| \$ - | \$ 212 | \$ 212 | \$ - |
| <u>\$ 1,987</u> | <u>\$298,507</u> | <u>\$298,507</u> | <u>\$ 1,987</u> |

for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Authority's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

Reportable conditions were noted in the following area:

FINDING:

During our testing of indirect cost reimbursement received during the current year for Special Education - I.D.E.A. Section 619 Preschool Grant (Interact Program IV), we noted that the amount of indirect cost reimbursement received was \$424 more than the amount that should have been requested per our calculation.

RECOMMENDATION:

We recommend that actual direct cost should be used when calculating the indirect cost reimbursements due on federal grants instead of requesting the budgeted indirect cost amount.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance

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 opinion.

Our audit was conducted 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 Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the component unit financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Respectfully submitted,

Thomas A. Bourgeois & Co., L.L.P.

with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

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 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 A. Bourgeois & Co., L.L.P.

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October 15, 1996

Ms. Celeste Viator, C. P. A.
Hannis T. Bourgeois & Co., L. L. P.
2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809-1487

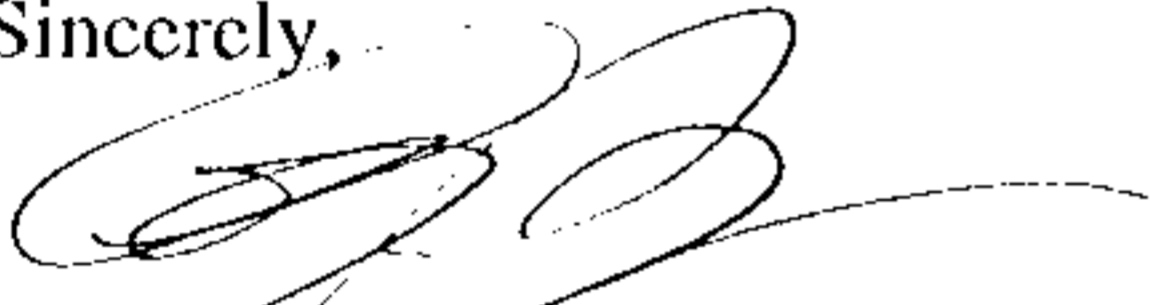
RE: Louisiana Educational Television Authority Audit ending June 30, 1996; indirect cost.

Dear Ms. Viator:

LETA management concurs with the auditor that all cost recoveries allowed under state and federal grants should be pursued. As such, LETA requires employee time-sheets to be maintained where such in-kind services are recoverable.

Further, in the absence of a negotiated state indirect cost-ratio, LETA utilizes for all federal grants, the official 8% federal EDGAR recovery percentage. Currently, LETA does not have any state grants that provide for the recovery of indirect costs.

Sincerely,



Cynthia Y. Rougeou
Chief Administrative Officer

HANNIS T. BOURGEOIS & CO., L.L.P.

RANDY J. BONNECAZE, C.P.A.*
JOSEPH D. RICHARD, JR., C.P.A.*
BONNIE E. STAMPER, C.P.A.*
FERNANDO P. GENIE, C.P.A.*
STEPHEN M. HUGGINS, C.P.A.*
MONICA L. ZIMO, C.P.A.*
RONALD L. GAGNE, C.P.A.*
DOUGLAS J. NELSON, C.P.A.*

CELLEST D. VIATOR, C.P.A.

* A Professional Accounting Corporation

Certified Public Accountants

1111 S. Range Avenue, Suite 101
Denham Springs, Louisiana 70726
(504) 665-8297

LOUIS J. BONNECAZE, C.P.A.
CONSULTANT
MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
2322 TREMONT DRIVE, SUITE 200
BATON ROUGE, LA 70809

September 16, 1996

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, (a component unit of the State of Louisiana) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996.

In connection with our audit of the component unit financial statements of the Louisiana Educational Television Authority, Baton Rouge, Louisiana, (a component unit of the State of Louisiana), and with our consideration of the Authority's control structure used to administer federal financial assistance programs, as required by the Office of Management and Budget Circular A-128, "Audits of State and Local Governments", we selected certain transactions applicable to the nonmajor federal financial assistance program for the year ended June 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; matching; level of effort

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

the expression of an opinion on the Louisiana Educational Television Authority's, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Louisiana Educational Television Authority, Baton Rouge, Louisiana, had not complied, in all material respects, with those requirements.

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 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 & Co., L.L.P.

HANNIS T. BOURGEOIS & CO., L.L.P.

RANDY J. BONNECAZE, C.P.A.*
JOSEPH D. RICHARD, JR., C.P.A.*
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2322 TREMONT DRIVE, SUITE 200
BATON ROUGE, LA 70809

September 16, 1996

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, (a component unit of the State of Louisiana) for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996.

We have applied procedures to test the Louisiana Educational Television Authority, Baton Rouge, Louisiana's, compliance with the following requirements applicable to its federal financial assistance programs which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996:

Political Activity
Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs
Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is

of the internal control structure that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

Reportable conditions were noted in the following areas:

REVENUE, RECEIVABLES AND RECEIPTS - SPECIAL REVENUE FUND

FINDING:

In the prior year, it was noted that since management has elected to account for federal grants and other non-state funds in the Foundation for Excellence in Louisiana Public Broadcasting, it was recommended that all future grants be applied for and received under the name and Federal identification number of the Foundation.

RECOMMENDATION:

We recommended that personnel responsible for applying for grants continue to be aware of the importance of applying for grants in the name and Federal identification number of the Foundation and that all future grants that are to be administered by the Foundation be applied for and received under the name and Federal identification number of the Foundation.

CORRECTIVE ACTION TAKEN:

In the current year, it appears that grants were properly applied for and received under the name and federal I.D. number of the proper entity.

EXPENDITURES FOR GOODS AND SERVICES AND ACCOUNTS PAYABLE

FINDING:

In the prior year, it was noted that for two items included in our sample of cash disbursements the purchase orders had not been signed by the applicable cost center manager. In addition, it was also noted that

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

SCHEDULE OF FEDERAL AWARDS

For the Year Ended June 30, 1996

| <u>FEDERAL GRANTOR/ 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 | | |
| Adult Education - State Administered Basic Grant Program | *84.002 | \$134,586 |
| Special Education - I.D.E.A. - Part B Section 619 Preschool Grant | 84.173 | \$125,000 |
| Special Education - I.D.E.A. - Part B Section 619 Preschool Grant | 84.173 | \$135,000 |
| Total U.S. Department of Education | | |
| <u>National Urban League</u> | | |
| Rate for Calculating Change | * - | \$ 2,000 |
| Total National Urban League | | |
| <u>National Endowment for the Arts</u> | | |
| Passed thru State of Louisiana Endowment for the Humanities | | |
| Home Sweet Home | *45.129 | \$ 10,000 |
| Total National Endowment for the Arts | | |
| Total Federal Assistance | | |

* These grants were recorded on the books of the Foundation for Excellence in Louisiana Public Broadcasting, Inc. since they provided the matching funds of the grant, if applicable, and were responsible for administering the grants. In accordance with the provisions of the grants, a single audit was performed on the Foundation for Excellence in Louisiana Public Broadcasting, Inc. in accordance with the provisions of the Office of Management and Budget Circular A-133, and therefore, no revenues or expenditures were recorded in the financial statements of the Louisiana Educational Television Authority relating to these grants.

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

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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, 1996, the costs of retirees' benefits totaled \$36,857, while the number of retirees is 14. The cost of retirees' benefits is net of participant's contribution.

O. 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 in 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 to 300 hours of unused annual leave. Therefore, annual leave up to 300 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 300 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 counted 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.

P. 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.

Q. 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.

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT - (CONTINUED)

For the Year Ended June 30, 1996

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)</u> |
|---|--------------------------------|-----------------------------|---|
| | <u>GENERAL</u> | <u>CAPITAL PROJECTS</u> | |
| Increase (Decrease) in Net Assets | \$ - | \$ - | \$ - |
| Excess (Deficiency) of Revenues Over Expenditures | 521,479 | (117,205) | 404,274 |
| Fund Balances/Net Assets - Beginning of Year, as Restated | <u>576,373</u> | <u>383,942</u> | <u>960,315</u> |
| Fund Balances/Net Assets - End of Year | <u>\$1,097,852</u> | <u>\$ 266,737</u> | <u>\$1,364,589</u> |

The accompanying notes are an integral part of this statement.

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

STATEMENT OF CASH FLOWS -
DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended June 30, 1996

| | |
|---|----------------------|
| Cash Flows From Operating Activities: | |
| Increase in Net Assets | \$ 1,055,625 |
| Adjustments to Reconcile Excess Support and Revenue Over Expenses to Cash Provided by Operating Activities: | |
| Depreciation | 6,781 |
| Accretion and Amortization of Premiums and Discounts on Investments - Net | 7,356 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Accounts/Grants Receivable | (125,393) |
| (Increase) Decrease in Due from Friends of L.P.B. | (320,362) |
| (Increase) Decrease in Accrued Interest Receivable | (21,610) |
| (Increase) Decrease in Cost of Programs Not Yet Broadcast | 64,220 |
| (Increase) Decrease in Prepaid Expense | 31,548 |
| Increase (Decrease) in Accounts Payable | 46,315 |
| Increase (Decrease) in Due to Louisiana Educational Television Authority - Net | 583,696 |
| Increase (Decrease) in Deferred Support and Revenues | <u>(60,454)</u> |
| Net Cash Provided by Operating Activities | \$ 1,267,722 |
| Cash Flows From Investing Activities: | |
| Purchases of Investments | \$(4,149,632) |
| Proceeds from Maturity of Investments | <u>3,050,717</u> |
| Net Cash Used in Investing Activities | <u>\$(1,098,915)</u> |
| Net Increase In Cash and Cash Equivalents | \$ 168,807 |
| Cash and Cash Equivalents - Beginning of Year | <u>1,578,780</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 1,747,587</u> |

The accompanying notes are an integral part of this statement.

| <u>BUDGET</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|--------------------|--|
| \$5,573,891 | \$ - |
| 198,486 | (66,941) |
| 590,000 | (254,061) |
| - | - |
| 228,810 | - |
| - | - |
| - | - |
| <u>\$6,591,187</u> | <u>\$ (321,002)</u> |
| \$2,577,681 | \$ 1,837 |
| 1,429,022 | (65,470) |
| 17,500 | - |
| 1,562,404 | 306,086 |
| 123,036 | - |
| 11,217 | - |
| 527,474 | - |
| <u>342,853</u> | <u>4,759</u> |
| <u>\$6,591,187</u> | <u>\$ 247,212</u> |
| \$ - | \$ (73,790) |
| <u>\$ -</u> | <u>\$ 10,623</u> |
| \$ - | \$ (63,167) |
| <u><u> </u></u> | <u><u> </u></u> |

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1996

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 17:2503.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, 1996

3. Organizations for which the reporting entity 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, 1996 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.

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

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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 thereafter 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.

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

NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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.

F. Budgets and Budgetary Accounting

The budgetary process incorporates a yearly appropriation process which is valid for a period of one year. Title 39:136 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 expend 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, and for other miscellaneous adjustments which were in the original budget but not recorded in the financial statements.

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.

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

G. Petty Cash Imprest Fund

The Authority maintains a permanent travel and petty cash imprest fund in the amount of \$3,500 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 presented.

H. 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, 1996 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.

I. Marketable Securities and Investments

Marketable securities and investments are stated in the aggregate at their lower of amortized cost. Gains and losses on disposition or maturity of securities are determined by reference to the adjusted cost of the specific security.

J. 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, 1996. 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.

K. Contributed Services

During the year ended June 30, 1996, the value of contributed services meeting the requirements for recognition by the Foundation was not material and has not been recorded.

CORRECTIVE ACTION TAKEN:

Management has informed us that new internal procedures have been implemented since year end, which should ensure that future payments to AT&T or any other vendor will be made timely.

FINDING:

In performing our search for unrecorded liabilities during the current year we noted that approximately \$75,000 of accounts payable existed and were unrecorded at year end. These amounts were recorded as an expenditure against 1997 State appropriations.

RECOMMENDATION:

We recommend that in the future, especially at year end, that expenses be more closely monitored and recorded as an expenditure of the proper year. This will enable management to better monitor expenses and make decisions based upon more accurate numbers.

INDIRECT COSTS

FINDING:

In the prior years it was noted that amounts charged to various grant programs for administrative type indirect costs were based entirely on budgeted figures. Actual indirect costs percentages had not been documented.

RECOMMENDATION:

We recommended that employees involved in the administration of the grants periodically maintain timesheets in an effort to develop an actual indirect cost percentage. This actual percentage should then be compared to the budgeted percentage so that the Authority can monitor its indirect cost and negotiate as necessary, a higher indirect cost rate on future contracts.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

employees and \$273,661 with the Authority; these actuarially determined contributions represent 7.5 percent for employees and 12.0 percent of the Authority's covered payroll. The Authority's actuarially determined contribution represents less than one percent of the total contribution required of all participating employees and employers.

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1995, for the System as a whole determined through an actuarial valuation performed as of that date, was \$5,696,909,256. The System's net assets available for benefits on that date (valuation method used for balance sheet purposes) were \$3,665,863,068, leaving an unfunded pension benefit obligation of \$2,031,046,188.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's 1995 comprehensive annual financial report. Benefits granted by the System are guaranteed by the State of Louisiana under the 1974 Louisiana Constitution. At September 16, 1996, the System's June 30, 1996, comprehensive annual financial report was unavailable.

N. Post Retirement Health Care and Life Insurance Benefits

LRS 42:821 through 42:880 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. Substantially 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

| <u>COMPONENT UNIT</u> FOUNDATION FOR EXCELLENCE IN LOUISIANA <u>PUBLIC BROADCASTING</u> | <u>TOTAL</u> REPORTING ENTITY (MEMORANDUM ONLY) |
|---|---|
| \$ - | \$ 5,767,737 |
| - | 131,545 |
| - | 64,969 |
| - | 67,623 |
| 444,506 | 673,316 |
| 987,585 | 987,585 |
| 1,155,361 | 1,155,361 |
| 249,129 | 249,129 |
| 409,946 | 409,946 |
| 540 | 49,540 |
| 321,952 | 321,952 |
| 324,942 | 324,942 |
| - | <u>658,200</u> |
| \$ 3,893,961 | \$10,861,845 |
| \$ 281,360 | \$ 2,857,204 |
| 55,597 | 55,597 |
| 2,016,152 | 3,537,544 |
| 299,280 | 328,130 |
| 65,408 | 985,787 |
| 120,539 | 560,899 |
| - | 11,217 |
| - | 727,474 |
| - | <u>338,094</u> |
| \$ 2,838,336 | \$ 9,401,946 |

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

R. 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 501c(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in their financial statements.

S. Statement of Cash Flows

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

Note 2 - Cash and Cash Equivalents -

All cash and cash equivalents of the Authority are deposited in the State Treasury with the exception of a permanent travel and petty cash imprest checking account. At year-end the carrying amount of the Authority's deposits was \$3,500 and the bank balance was \$2,634. The bank balance was covered by federal deposit insurance.

Cash balances of the discretely presented component unit confirmed by the banks totaling \$1,840,142 are on deposit at a local bank and with a bank trust department. They are maintained in an operating account or a cash management investment account and, therefore, are not insured by the Federal Deposit Insurance Corporation with the exception of \$100,000. Certain of the cash management accounts are U.S. Government Security based money funds with balances totaling \$149,028 and other money market funds with balances totaling \$1,418,191.

A reconciliation of cash and cash equivalents as shown on the Combined Balance Sheet as of June 30, 1996 is as follows:

| | <u>PRIMARY GOVERNMENT</u> | <u>COMPONENT UNIT</u> | <u>REPORTING ENTITY</u> |
|------------------------------------|-------------------------------|---------------------------|-----------------------------|
| Cash in State Treasury | \$ 390,031 | \$ - | \$ 390,031 |
| Cash and Cash Equivalents | - | 1,747,587 | 1,747,587 |
| Petty Cash Imprest Fund | <u>3,500</u> | <u>-</u> | <u>3,500</u> |
| Total Cash and Cash Equivalents | <u>\$ 393,531</u> | <u>\$1,747,587</u> | <u>\$2,141,118</u> |

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

| | BALANCE AT JULY, 1 <u>1995</u> | ADDITIONS | REDUCTIONS | BALANCE AT JUNE 30, 1996 |
|--|--------------------------------------|------------------|-------------------|--------------------------------|
| Compensated Absences Payable - Note 1 | \$ 273,273 | \$ 61,952 | \$ - | \$ 335,225 |
| Obligations Under Capital Lease - Note 4 | <u>6,083,470</u> | <u>-</u> | <u>727,473</u> | <u>5,355,997</u> |
| | <u>\$6,356,743</u> | <u>\$ 61,952</u> | <u>\$ 727,473</u> | <u>\$5,691,222</u> |

Note 9 - 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 6, 1994. Under the terms of this agreement, cash and investments with a market value of \$1,957,708 were transferred in the prior year from Friends of Louisiana Public Broadcasting to an outside third party, the Baton Rouge Area Foundation, who established a fund in the name of Louisiana Public Broadcasting in the nature of an endowment to provide current income and long term protection for the operations of Louisiana Public Broadcasting. Per the terms of the agreement LPB may designate who the funds are distributed to and therefore designated the Foundation to receive these funds. At June 30, 1995, \$1,627,441 of these monies were unspent and were therefore, recorded as deferred revenues as of that date in the financial statements of the Foundation.

Furthermore, a separate agreement dated August 9, 1994, 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 transfers quarterly excess funds as calculated per the agreement to be used to pay for certain approved expenses. For the fiscal year ended June 30, 1995, \$673,967 was transferred to the Foundation and none of these monies were expended as of June 30, 1995. Accordingly, these monies were recorded as deferred revenue as of that

and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of the Louisiana Educational Television Authority, Baton Rouge, Louisiana, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation

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September 16, 1996

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, (a component unit of the State of Louisiana) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of Louisiana Educational Television Authority, Baton Rouge, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

OTHER SUPPLEMENTARY INFORMATION

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

Marketable Securities and Investments - Fair value of securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Payable to Louisiana Educational Television Authority - Fair value of this payable approximates carrying value since these monies are held in escrow by the Foundation on behalf of L.E.T.A. Interest earnings on these funds are included in this balance.

The estimated approximate fair values of the Foundation's financial instruments as of June 30, 1996 are as follows:

| | <u>CARRYING VALUE</u> | <u>FAIR VALUE</u> |
|--|---------------------------|-----------------------|
| Financial Assets: | | |
| Cash and Short-Term Investments | \$1,747,587 | \$1,747,587 |
| Marketable Securities and Investments | <u>5,482,419</u> | <u>5,436,459</u> |
| | <u>\$7,230,006</u> | <u>\$7,184,046</u> |
| Financial Liabilities: | | |
| Due to Louisiana Educational Television Authority | <u>\$1,160,884</u> | <u>\$1,160,884</u> |

Note 12 - Subsequent Event -

Subsequent to year end, Louisiana Educational Television Authority's Board Members have 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 satellite. These funds have accumulated from satellite rental revenue earned in the current and prior years.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

accounting and has, accordingly, reclassified its financial statements to present the applicable classes of net assets required. This reclassification had no effect on the change in net assets for 1996.

The following is a detail of net assets of the Foundation:

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|-----------------------------------|--------------------|
| Beginning of Year - July 1, 1995, as Previously Reported | \$2,901,503 | \$ - | \$2,901,503 |
| Increase in Net Assets - July 1, 1995, Due to Adoption of SFAS No. 116 | 671,440 | 2,301,408 | 2,972,848 |
| Prior Period Adjustment - Correction of Error | <u>122,105</u> | <u>-</u> | <u>122,105</u> |
| Beginning of Year - July 1, 1995 as Restated | \$3,695,048 | \$2,301,408 | \$5,996,456 |
| Increase (Decrease) in Net Assets - June 30, 1996 | <u>1,311,727</u> | <u>(256,102)</u> | <u>1,055,625</u> |
| End of Year - June 30, 1996 | <u>\$5,006,775</u> | <u>\$2,045,306</u> | <u>\$7,052,081</u> |

Note 11 - Fair Value of Financial Instruments -

In the current year, the Foundation was required to adopt Financial Accounting Standards Board Statement No. 107, "Disclosure about Fair Value of Financial Instruments". This statement requires disclosure of the fair value of financial instruments both assets and liabilities whether or not such instruments are recognized in the Statement of Financial Position.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments, none of which are held for trading purposes, for which it is practicable to estimate that value:

Cash and Short-Term Investments - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

L. 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.

M. Retirement System

Substantially all Authority employees are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer, (cost-sharing), public employee retirement system (PERS). The System is a statewide public retirement system for the benefit of state employees, which is administered and controlled by a separate board of trustees. Contributions of participating state agencies are pooled with the System to fund accrued benefits with contribution rates approved by the Louisiana Legislature. The payroll for employees of all participating agencies in the System totaled \$1,547,977,166 for the year ended June 30, 1995. For the year ended June 30, 1996, the Authority's total payroll was \$2,567,200, and its payroll covered by the System was approximately \$2,280,513.

All full-time Authority employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36 months average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or age 60 with 10 years of service. The System also provides death and disability benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 7.5 percent of gross salary to which the Authority adds an 12.0 percent contribution as an employer's match. The Authority's statutory and actual contribution for the year ended June 30, 1996, was \$444,699, of which \$171,038 was contributed by employees and \$273,661 was contributed by the Authority. The actuarially required contribution for that year, using the System's actuarial funding method (projected unit credit) and based on covered payroll, was \$444,699, of which (assuming the same statutory contribution ratio) \$171,038 is associated with

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June 30, 1996

date and were reflected as such in the Foundation's statements. As more fully discussed in Note 10 and as permitted by SFAS No. 116 the Foundation has retroactively applied this new standard by restating net assets as of June 30, 1995 for monies received under these transfer agreements previously reported as deferred revenues.

For the fiscal year ended June 30, 1996, \$1,155,361 was transferred to the Foundation (which includes a receivable of \$494,329) under terms of this agreement. Furthermore, at June 30, 1996 \$2,045,306 of temporarily restricted net assets are available for the purposes described in the preceding paragraphs.

Note 10 - Change in Accounting Principle by Discretely Presented
Component Unit -

The Foundation was required to adopt Statement of Financial Accounting Standards (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 and/or nature of any donor restrictions. As permitted by SFAS No. 116, the Foundation has retroactively applied the provisions of this new Statement by restating its net assets as of June 30, 1995. All previously reported fund balances were considered to be unrestricted. The adjustment of \$2,972,848 made to net assets as of June 30, 1995, represents unrestricted and temporarily restricted contributions previously reported as deferred revenue. Under SFAS No. 116, restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon satisfying the restricted purpose. In addition, a prior period adjustment of \$122,105 was made to the unrestricted net asset class that was for certain production revenues earned in prior years that had not been previously recognized.

In 1996, the Foundation was also required to adopt 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. In addition, the Foundation is required to present a Statement of Cash Flows. As permitted by this new Statement, the Foundation has discontinued its use of fund

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

Note 3 - Marketable Securities and Investments -

The following is a summary of carrying values, approximate market values and unrealized gains and losses of investment securities of the discretely presented component unit at June 30, 1996:

| | <u>CARRYING VALUE</u> | <u>MARKET VALUE</u> | <u>UNREALIZED</u> | |
|--------------------------------------|---------------------------|-------------------------|-------------------|-----------------|
| | | | <u>GAIN</u> | <u>LOSS</u> |
| U.S. Treasury Securities | \$1,304,555 | \$1,335,318 | \$30,763 | \$ - |
| U.S. Government Agency Securities | 3,083,282 | 3,028,062 | - | 55,220 |
| Municipal Bond | 199,927 | 199,062 | - | 865 |
| U.S. Government Bond | 500,000 | 483,240 | - | 16,760 |
| Mutual Fund-Equity Securit- ies | <u>394,655</u> | <u>390,777</u> | <u>-</u> | <u>3,878</u> |
| | <u>\$5,482,419</u> | <u>\$5,436,459</u> | <u>\$30,763</u> | <u>\$76,723</u> |

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

| | <u>CARRYING VALUE</u> | <u>MARKET VALUE</u> |
|-----------------------------------|---------------------------|-------------------------|
| Within One Year | \$1,087,593 | \$1,092,619 |
| After One Year Through Five Years | 3,394,826 | 3,400,400 |
| Five Years Through Ten Years | <u>1,000,000</u> | <u>943,440</u> |
| | <u>\$5,482,419</u> | <u>\$5,436,459</u> |

There were no marketable securities held by the primary government at June 30, 1996.

Note 4 - Lease and Rental Commitments -

The Authority's operating rental commitments consist of various tower sites. These operating lease agreements have nonappropriation exculpatory clauses that allow cancellation if the Legislature does not make an appropriation for its continuation during any future fiscal period. Total operating rental and lease expenditures for the year ended June 30, 1996, amounted to \$64,300.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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, 1996 is presented below:

| | <u>LAND, BUILDINGS, AND IMPROVEMENTS</u> | <u>FURNITURE AND EQUIPMENT</u> | <u>TOTAL</u> |
|-------------------------|--|------------------------------------|---------------------|
| Balance - June 30, 1995 | \$11,360,064 | \$15,236,442 | \$26,596,506 |
| Additions/Donations | 151,200 | 272,730 | 423,930 |
| Deletions | <u>-</u> | <u>(381,429)</u> | <u>(381,429)</u> |
| Balance - June 30, 1996 | <u>\$11,511,264</u> | <u>\$15,127,743</u> | <u>\$26,639,007</u> |

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

| | <u>FURNITURE AND EQUIPMENT</u> |
|--------------------------------|------------------------------------|
| Balance - June 30, 1995 | \$ 33,907 |
| Additions | - |
| Deletions | <u>-</u> |
| Balance - June 30, 1996 | \$ 33,907 |
| Less: Accumulated Depreciation | <u>(13,563)</u> |
| Net Balance - June 30, 1996 | <u>\$ 20,344</u> |

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, 1996:

Louisiana Educational Television Authority
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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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

| <u>BOARD MEMBER</u> | <u>BOARD AND COMMITTEE MEETINGS ATTENDED</u> | <u>PER DIEM PAID</u> |
|-----------------------|--|---|
| Dr. William Arceneaux | 7 | \$ - |
| Dr. Raymond Arveson | 4 | - |
| Jesse Bankston | 5 | - |
| Wayne Berry | 10 | - |
| Lucile Blum | 3 | - |
| Carl Crowe | 7 | - |
| Mary Eaton | 8 | - |
| Frank France | 4 | - |
| Dr. Newell Gauthier | 2 | - |
| Paul Goldman | 1 | 25 |
| Felicia L. Harry | 6 | - |
| John Laborde | 5 | - |
| Virginia Lawson | 7 | - |
| Jim Nickel | 5 | - |
| Rubye Noble | 1 | - |
| Dr. Press Robinson | 3 | - |
| Veronica Rodrigue | 7 | - |
| Joe Traigle | 6 | - |
| Joseph Varholy | 10 | - |
| Dr. Donald Webb | 1 | - |
| | | <hr style="width: 100px; margin-left: auto; margin-right: 0;"/> \$ 25 <hr style="width: 100px; margin-left: auto; margin-right: 0;"/> |

Note 6 - Due from Foundation for Excellence in L.P.B. -

During the current and prior year, monies were received from various universities who are leasing unused transformer space on the satellite 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. Also, during the current year, L.E.T.A. was required to make a lump sum payment of \$200,000 on the satellite's capital lease agreement of which \$125,000 was paid by the Foundation and was applied against this liability. At June 30, 1996, the amount owed by the Foundation for these rentals is \$1,147,950 which includes \$49,000 of interest earnings.

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NOTES TO FINANCIAL STATEMENTS - (CONTINUED)

June 30, 1996

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

| <u>YEAR</u> | <u>RENTAL PROPERTY</u> | <u>AMOUNT</u> |
|-------------|------------------------|------------------|
| 1997 | Tower Sites | \$ 64,300 |
| 1998 | Tower Sites | 64,300 |
| 1999 | Tower Sites | 64,300 |
| 2000 | Tower Sites | 32,050 |
| 2001 | Tower Sites | 15,050 |
| Thereafter | Tower Sites | <u>160,250</u> |
| | | <u>\$400,250</u> |

In addition to the above mentioned operating lease agreements, the Authority has entered into a separate lease agreement for financing the acquisition of a Telstar Satellite. This lease qualifies as a capital lease for accounting purposes and therefore, has been recorded 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.

The following is a schedule of the future minimum lease payments under capital lease and the present value of the net minimum lease payments at June 30, 1996 of the outstanding lease:

| <u>YEAR</u> | <u>PRESENT VALUE OF MINIMUM LEASE PAYMENTS</u> | <u>INTEREST</u> | <u>TOTAL MINIMUM LEASE PAYMENTS</u> |
|-------------|--|--------------------|---|
| 1997 | \$ 559,952 | \$ 305,617 | \$ 865,569 |
| 1998 | 594,430 | 271,139 | 865,569 |
| 1999 | 631,030 | 234,539 | 865,569 |
| 2000 | 669,884 | 195,685 | 865,569 |
| 2001 | 711,129 | 154,440 | 865,569 |
| Thereafter | <u>2,189,572</u> | <u>190,734</u> | <u>2,380,306</u> |
| | <u>\$5,355,997</u> | <u>\$1,352,154</u> | <u>\$6,708,151</u> |