

RECEIVED  
LEGISLATIVE AUDITOR  
1999 DEC 28 AM 10:55

OFFICIAL  
FILE COPY  

---

DO NOT SEND OUT

(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

KSLU - FM RADIO

A Public Telecommunications Entity Operated By  
Southeastern Louisiana University

Financial Statements and  
Independent Auditor's Report

June 30, 1999

Under provisions of state law, this report is a public document. A copy of this report has been furnished to the audited, or other, 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 FEB 16 2000

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

Financial Statements and  
Independent Auditor's Report

June 30, 1999

CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	-	1 - 2
FINANCIAL STATEMENTS		
Statement of Financial Position	A	3
Statement of Activities	B	4
Statement of Cash Flows	C	5
Notes to Financial Statements	-	6 - 13
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>	-	16 - 17
Current Year Audit Findings and Recommendations	-	19
Corrective Action Plan for Current Year Audit Findings	-	21
Summary Schedule of Prior Audit Findings	-	23

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*  
\*A Professional Corporation

Member  
American Institute of  
Certified Public Accountants

Charles D. Mathews, CPA  
Bryon C. Garrety, CPA  
Jessie Travis-Gill, CPA  
Charles F. Dismukes, CPA

Member  
Society of Louisiana  
Certified Public Accountants

November 16, 1999

## 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, 1999, 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, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that KSLU-FM Radio will continue as a going concern. As discussed in Note 10 to the financial statements, the Corporation for Public Broadcasting (CPB) has placed KSLU Radio on probation due to not meeting the minimum staffing criterion and not maintaining sufficient office space. KSLU-FM Radio has until December 31, 1999 to fill the General Manager position, and has until January 31, 2000 to resolve office space issues. During the probation period, all grant payments will be withheld. When the minimum staffing criterion has been met and the station has contacted CPB in writing, grant payments are reinitiated. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KSLU-FM RADIO

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 1999 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*  
DURNIN & JAMES, CPA'S

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

STATEMENT OF FINANCIAL POSITION

June 30, 1999

	1999
<b>ASSETS</b>	
University Intra-Fund Balance	\$ 90,093
Accounts Receivable	395
Equipment, Net of Accumulated Depreciation	<u>26,854</u>
<b>TOTAL ASSETS</b>	<u>\$117,342</u>
 <b>LIABILITIES AND NET ASSETS</b>	
University Intra-Fund Deficit	\$ <u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>117,342</u>
<b>TOTAL NET ASSETS</b>	<u>117,342</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$117,342</u>

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, 1999

	1999
CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues and Gains:	
Contributions from Southeastern Louisiana University:	
General Appropriation	\$ 166,622
Donated Facilities and Administrative Support	83,462
In-Kind Donated Broadcast Facilities	35,548
Student Tuition Assessment	84,448
Grant Revenue	95,453
Private Sector Revenue	10,775
TOTAL UNRESTRICTED REVENUES AND GAINS	476,308
EXPENSES:	
Unrestricted Operating Funds	300,381
Unrestricted Operating Funds	75,592
Community Service Grant - FY 98 Fund	35,777
Community Service Grant - FY 97 Fund	24,749
National Production and Program Acquisition Grants:	
FY 97 Fund	1,046
National Production and Program Acquisition Grant	4,541
National Production and Program Acquisition Grant	20,978
Louisiana Educational Television Authority Grant	5,210
TOTAL UNRESTRICTED EXPENSES	468,274
INCREASE IN NET ASSETS	8,034
NET ASSETS AT BEGINNING OF YEAR	109,308
NET ASSETS AT END OF YEAR	\$ 117,342

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, 1999

	1999
Cash Flows from Operating Activities:	
Change in Net Assets	\$ 8,034
Adjustments to Reconcile Change in Net Assets	
To Net Cash Used by Operating Activities:	
Depreciation	12,124
Increase in University Intra-Fund Receivable	(18,154)
Increase in Accounts Receivable	( 195)
Receipt of Equipment	4,652
Decrease in University Intra-Fund Liability	-
Net Cash Provided by Operating Activities	6,461
Cash Flows from Investing Activities:	
Purchase of Equipment	(6,461)
Net Cash Used by Investing Activities	(6,461)
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -

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, 1999

	<u>PAGE</u>
(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7
(a) ORGANIZATION	7
(b) FUND ACCOUNTING	7 - 8
(c) UNIVERSITY INTRA-FUND BALANCE	8
(d) STATEMENT OF CASH FLOWS	8
(e) FUNCTIONAL ALLOCATION OF EXPENSES	8
(f) INDIRECT CONTRIBUTIONS AND SUPPORT	8
(g) RESTRICTED SUPPORT	8
(h) GIFTS OF LONG-LIVED ASSETS	9
(i) REVENUE RECOGNITION	9
(j) FINANCIAL STATEMENT PRESENTATION	9
(k) CONTRIBUTIONS	9
(2) PROPERTY AND EQUIPMENT	9 - 10
(3) PENSION PLAN	10
(4) FUNCTIONAL EXPENSES	10
(5) GRANTS FROM THE CORPORATION FOR PUBLIC BROADCASTING	10 - 11
(6) STATE APPROPRIATIONS	11 - 12
(7) INDIRECT ADMINISTRATIVE SUPPORT	12
(8) STUDENT TUITION ASSESSMENT	12
(9) YEAR 2000 ISSUE	12
(10) GOING CONCERN ISSUE	12 - 13

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

(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 five 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  
Southeastern Louisiana University

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  
A Public Telecommunications Entity Operated by  
Southeastern Louisiana University

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 \$12,124 for fiscal year 1999. Expenditures for maintenance and repair are charged against revenues as incurred; cost of major additions and improvements are capitalized.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property and equipment consist of the following at June 30, 1999:

Transmitting and Broadcast Equipment	\$ 256,572
Furniture and Office Equipment	<u>65,696</u>
	322,268
Less: Accumulated Depreciation	<u>295,414</u>
Net Property and Equipment	<u>\$ 26,854</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 \$8,691 and \$15,132, 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			
	Programming and Production	Broadcasting	Program Information	Total Program Services	Management and General	Total Support Services	
Salaries, wages, benefits	\$ 38,362	\$131,110	\$ -	\$169,472	\$ 97,878	\$ 97,878	\$267,350
Occupancy	155	223	-	378	1,931	1,931	2,309
Dues and subscriptions	4,346	-	-	4,346	26,064	26,064	30,410
Xerox copies	-	-	-	-	7	7	7
Repairs and maintenance	-	1,048	-	1,048	4,768	4,768	5,816
Conferences, meetings	-	222	-	222	8,488	8,488	8,710
Advertising	-	-	880	880	-	-	880
Printing	-	-	2,057	2,057	60	60	2,117
Professional services	-	3,480	-	3,480	2,500	2,500	5,980
Office supplies	-	6,169	-	6,169	2,278	2,278	8,447
Depreciation	-	8,132	-	8,132	3,992	3,992	12,124
Telephone	-	-	-	-	972	972	972
Institutional support	17,801	25,633	-	43,434	27,769	27,769	71,203
Physical plant	2,611	3,759	-	6,370	4,073	4,073	10,443
Student work study	-	1,196	-	1,196	-	-	1,196
Rentals	-	767	-	767	3,473	3,473	4,240
In-kind remote broadcast facility	-	35,548	-	35,548	-	-	35,548
Miscellaneous	-	-	-	-	522	522	522
TOTALS	<u>\$ 63,275</u>	<u>\$217,287</u>	<u>\$ 2,937</u>	<u>\$283,499</u>	<u>\$184,775</u>	<u>\$184,775</u>	<u>\$468,274</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  
A Public Telecommunications Entity Operated by  
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, 1999
			1995-96 & Prior	1996-97	1997-98	1998-99	
NPPAG	1994-95	\$28,048	\$21,849	\$ 5,549	\$ -	\$ -	\$ -
NPPAG	1995-96	\$26,426	\$ -	\$20,906	\$ -	\$ 4,541	\$ 979
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	\$ -
CSG	1998-99	\$50,140	\$ -	\$ -	\$ -	\$25,506	\$24,634
NPPAG	1998-99	\$20,313	\$ -	\$ -	\$ -	\$ -	\$20,313

(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>1998-99</u> \$166,622
Unexpended Appropriation	-
Accrual Adjustments	-
Operating Fund	<u>166,622</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property Fund  
Total

-  
\$166,622

(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 \$84,448.

(9) YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the station's operations as early as fiscal year 1999.

The station has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary for conducting the station's operations. Based on this inventory, the station is in the validation/testing stage in that hardware and software believed to be year 2000 compliant for the financial reporting systems have been installed by Southeastern Louisiana University. Testing and validation of the systems were completed after the hardware and software were installed.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the station is or will be year 2000 ready, that the station's remediation efforts will be successful in whole or in part, or that parties with whom the station does business will be year 2000 ready.

(10) GOING CONCERN ISSUE

KSLU-FM Radio does not meet the minimum eligibility requirements for receiving grants from the Corporation for Public Broadcasting (CPB) due to a vacancy in the General Manager position and a shortage of office space. Because the station is below the minimum eligibility requirements, the disbursement of future CSG funds that come from the CPB will be affected.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

When a station falls below the minimum criteria, it is placed on probation. The probation policy requires that grantees set up a plan for regaining compliance within 60 days after notifying CPB. If the station is not in compliance within the 60-day probation period, CPB will decide if an extension is appropriate.

The first probation period for KSLU-FM ends on December 31, 1999. This will allow the station sufficient time to fill the General Manager position. The second probation period for KSLU-FM ends on January 31, 2000. This will allow the station sufficient time to resolve the office space issues.

During the probation period, all grant payments will be withheld. When the minimum staffing criterion has been met and the station has contacted CPB in writing, grant payments are reinitiated.

Management of KSLU-FM Radio intends to fill the General Manager position by December 31, 1999, and intends to resolve office space issues by January 31, 2000, however, there is a possibility that the resolution of these issues may be consummated at dates later than the two dates referred to above.

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

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*  
\*A Professional Corporation

Member  
American Institute of  
Certified Public Accountants

Charles D. Mathews, CPA  
Bryon C. Garrety, CPA  
Jessie Travis-Gill, CPA  
Charles E. Dismukes, CPA

Member  
Society of Louisiana  
Certified Public Accountants

November 16, 1999

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. Larry L. Ward,  
Interim General Manager/Engineer  
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, 1999, and have issued our report thereon dated November 16, 1999.

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 an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and recommendations as item 99-1.

## 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.

KSLU-FM RADIO

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect KSLU-FM Radio's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A reportable condition is described in the accompanying schedule of findings and recommendations as item 99-2.

A material weakness is a reportable condition in which the design or operation of one or more of the specific 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 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, 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, 1999

FINDINGS AND RECOMMENDATIONS

COMPLIANCE

99-1 - GOING CONCERN ISSUE

FINDING:

During our audit of subsequent events, we noted that effective July 1, 1999 KSLU-FM Radio (the station) fell below the minimum requirements for being entitled to grants from the Corporation for Public Broadcasting (CPB). CPB subsequently placed KSLU-FM Radio on probation as follows:

- 1) The General Manager position of the station which was vacated July 1, 1999 must be filled by December 31, 1999; and
- 2) Sufficient office space must be placed in service by January 31, 2000.

RECOMMENDATION:

We recommend the KSLU-FM Radio take whatever steps are necessary to meet the minimum requirements and thus have CPB funding restored.

MANAGEMENT'S RESPONSE:

In management's Corrective Action Plan dated November 23, 1999, the Interim General Manager/Engineer indicated that a Search Committee is in the process of locating and interviewing candidates for General Manager. Also, additional office space is being sought.

INTERNAL CONTROL OVER FINANCIAL REPORTING

99-2 - PHYSICAL INVENTORY OF FIXED ASSETS

FINDING:

During our audit of fixed assets, we noted that a significant number of fixed assets contained in the physical listing which we were provided with contained accumulated depreciation as of July 1, 1998 which differed significantly from the ending accumulated depreciation as of June 30, 1998.

RECOMMENDATION:

We recommend the station take steps to ensure that the physical inventory of fixed assets reconcile from one period to another period.

MANAGEMENT'S RESPONSE:

In management's Corrective Action Plan dated November 23, 1999, the Business Manager indicated that reconciliations of fixed assets will be performed from one period to another period throughout the year.

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

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

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS  
For the Year Ended June 30, 1999

<u>Ref.#</u>	<u>Description of Findings</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>Compliance:</u>				
99-1	Minimum CPB Requirements	1) Hire General Manager 2) Secure Office Space	Larry L. Ward	12/31/99 01/31/00
<u>Internal Control:</u>				
99-2	Fixed Asset Inventory	Reconciliations to be performed.	Joyce Savoie	06/30/00

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, 1999

Ref. #	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken	Additional Explanation
--------	---	-------------------------	-------------------------	--	------------------------

None.