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ACADIANA OPEN CHANNEL, INC.

FINANCIAL REPORT

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 9-14-05

J. L. SONNIER
Certified Public Accountant
Lafayette, Louisiana

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Acadiana Open Channel, Inc.

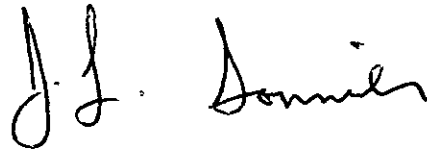
I have audited the accompanying financial statements of the governmental activities and the general fund of Acadiana Open Channel, Inc., a component unit of the Lafayette City/Parish Consolidated Government, as of and for the year ended June 30, 2005 which collectively comprises the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Acadiana Open Channel, Inc.'s management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, and the General fund of Acadiana Open Channel, Inc., as of June 30, 2005 and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 10, 2005 on my consideration of Acadiana Open Channel, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Acadiana Open Channel, Inc. has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script, appearing to read "J. J. Donnier". The signature is written in black ink and is positioned to the right of the date.

August 10, 2005

ACADIANA OPEN CHANNEL, INC.
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2005

	General Fund	Adjust- ments	Statement of Net Assets
ASSETS			
Cash	\$ 181,996	\$ -	\$ 181,996
Due from other governments	630	-	630
Prepayments	6,823	-	6,823
Other assets	601	-	601
Equipment and leasehold improvements	-	459,586	459,586
Accumulated depreciation	-	(357,735)	(357,735)
Total assets	\$ 190,050	\$ 101,851	\$ 291,901
LIABILITIES			
Accounts payable and accrued expenses	\$ 17,221	\$ -	\$ 17,221
Deferred revenue	73,333	-	73,333
Total liabilities	\$ 90,554	\$ -	\$ 90,554
FUND BALANCES/NET ASSETS			
Fund balance			
Reserved for prepaid items	\$ 6,823	\$ (6,823)	\$ -
Unreserved	92,673	(92,673)	-
Total fund balance	\$ 99,496	\$ (99,496)	\$ -
Total liabilities and fund balances	\$ 190,050		
Net assets			
Invested in capital assets, net of related debt		\$ 101,851	\$ 101,851
Unrestricted		99,496	99,496
Total net assets		\$ 201,347	\$ 201,347

Reconciliation of the General Fund Balance Sheet to the Statement of Net assets-
Capital assets and related accumulated depreciation are not current financial resources and therefore are not reported in the General fund balance sheet. Capital assets, net of accumulated depreciation must be added to General Fund total fund balance to arrive at total net assets.

See notes to basic financial statements.

ACADIANA OPEN CHANNEL, INC.
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended June 30, 2005

	<u>General Fund</u>	<u>Adjust- ments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Public access television -			
Operations	\$ 268,973	\$ 27,308	\$ 296,281
Capital outlays	5,927	(5,927)	-
Total expenditures/expenses	<u>\$ 274,900</u>	<u>\$ 21,381</u>	<u>\$ 296,281</u>
PROGRAM REVENUES			
Contract with Lafayette			
Consolidated Government	\$ 220,000	\$ -	\$ 220,000
Charges for services	11,228	-	11,228
Total program revenues	<u>\$ 231,228</u>	<u>\$ -</u>	<u>\$ 231,228</u>
Net program revenue (expense)			<u>\$ (65,053)</u>
GENERAL REVENUES			
Miscellaneous -			
Cable TV grant	\$ 54,167	\$ -	\$ 54,167
Other	8,594	-	8,594
Total general revenues	<u>\$ 62,761</u>	<u>\$ -</u>	<u>\$ 62,761</u>
Excess (deficiency) of revenues over expenditures	\$ 19,089	\$ (19,089)	\$ -
Change in net assets	-	(2,292)	(2,292)
Fund balance/net assets -			
Beginning of year	80,407	123,232	203,639
End of year	<u>\$ 99,496</u>	<u>\$ 101,851</u>	<u>\$ 201,347</u>

**Reconciliation of General Fund Statement of Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities -**

Depreciation expense of \$27,308 is not reported in the General fund because it does not require the use of current financial resources. General fund capital outlays of \$5,927 are reported as expenditures but are capitalized and depreciated over their useful lives in the government-wide statement of activities.

See notes to basic financial statements.

ACADIANA OPEN CHANNEL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Acadiana Open Channel, Inc. (AOC), was incorporated on July 1, 1981. AOC is a Louisiana nonprofit organization which receives the majority of its funding from Lafayette City/Parish Consolidated Government (LCPCG). Its purpose is to coordinate the use of public access channels provided by the cable television system in Lafayette, Louisiana. AOC also provides production facilities, technical assistance, and training to individuals, groups and organizations interested in producing non-commercial education, cultural, informational or other community-oriented television programs.

AOC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by AOC are discussed below.

A. REPORTING ENTITY

These financial statements present AOC, a component unit of LCPCG. AOC is considered a component unit because it is fiscally dependent on LCPCG and its budget is subject to LCPCG's approval.

B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS

AOC's basic financial statements include the general fund, its only fund. The public access activity of AOC is classified as a governmental activity. The Statement of Net Assets, is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Net assets are reported in three parts (as applicable)—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. AOC first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost of AOC's public access channel function. The function is also supported by general government revenues (grants, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the public access channel function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital-specific grants.

ACADIANA OPEN CHANNEL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

AOC's net costs are normally covered by both program and general revenue (grants, etc.).

This government-wide focus concentrates on the sustainability of AOC as an entity and the change in AOC's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS—FUND FINANCIAL STATEMENTS

The financial transactions of AOC are reported in the fund financial statements of its sole fund, the General fund. It is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statement (the general fund) is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. DONATED SERVICES

AOC receives substantial volunteer services. No amounts have been reflected in the statement for donated services because no objective basis is available to measure the value of such services.

ACADIANA OPEN CHANNEL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

F. 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.

G. TAX EXEMPT STATUS

AOC qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue code and is not a private foundation.

H. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

AOC has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Investments

AOC is a Louisiana nonprofit corporation and therefore is not restricted by law as to the types of investments it can make.

3. Prepaid Items

Prepaid balances are for payments made by AOC in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

4. Capital Assets

Capital assets consist of furniture and equipment. Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over estimated useful lives of five to ten years. Dispositions of equipment during the year totaled \$12,394; acquisitions totaled \$5,927. Depreciation expense for the year

ACADIANA OPEN CHANNEL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

ended June 30, 2005 was \$27,308. Under the terms of a contract with LCPCG, ownership of equipment acquired with funds derived from the contract reverts to LCPCG upon termination of that contract.

5. Revenues

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

6. Expenditures

Expenditures are recognized when the related fund liability is incurred.

7. Compensated Absences

AOL accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. Accrued vacation and sick leave totaled \$4,554 at June 30, 2005.

Note 2. BANK DEPOSITS

At June 30, 2005, AOC had \$81,946 of bank deposits not insured by the FDIC and not collateralized by the depository bank.

Note 3. SUPPORT AND REVENUE SOURCES

AOC receives grants and contributions from various entities. Two major revenue sources are Cox Communications and the Lafayette City/Parish Consolidated Government. AOC received annual funding from Cox Communications in the amount of \$54,167 and has contracted with Lafayette City/Parish Consolidated Government to coordinate the use of public access channels for \$220,000 per year through October 31, 2005.

In fiscal year ended June 30, 2005, LCPCG paid AOC \$220,000 for the contract year to end October 31, 2005; \$146,667 of that amount was recorded as revenue and the remaining \$73,333 was recorded as deferred revenue applicable to the contract period from July 1 through October 31, 2005.

ACADIANA OPEN CHANNEL, INC.
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

Note 4. OFFICE AND PRODUCTION FACILITIES

AOC'S office and production facilities are provided by LCPCG at no cost.

Note 5. CONCENTRATIONS

For the year ended June 30, 2005 approximately 93% of AOC's revenue and support was provided by Cox Communications and the Lafayette City/Parish Consolidated Government. If the contracts with Cox Communications and/or LCPCG are modified or cancelled, the impact on AOC could be severe.

Note 6. RISK MANAGEMENT

AOC is exposed to risks of loss in the areas of general liability, property hazards and workers' compensation. General liability, property hazards and workers' compensation risks are handled through the purchase of commercial insurance. Settlements have not exceeded insurance coverage in any of the past three years. AOC is unaware of any outstanding claims or losses as of June 30, 2005. There were no significant reductions in insurance coverage during 2005.

Note 7. BOARD MEMBER COMPENSATION

The members of the board of directors of AOC serve on a voluntary basis and receive no form of compensation for those duties.

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

To the Board of Directors of
Acadiana Open Channel, Inc.

I have audited the financial statements of the governmental activity and the general fund of Acadiana Open Channel, Inc. (AOC), a component unit of the Lafayette City/Parish Consolidated Government, as of and for the year ended June 30, 2005, and have issued my report thereon dated August 10, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Acadiana Open Channel's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which I have included in the accompanying Schedule of Audit Findings as item 2005-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Acadiana Open Channel's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Acadiana Open Channel's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 2005-2 and 2005-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the board of directors, management, the Lafayette City/Parish Consolidated Government, grantor agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. This report is a matter of public record.

A handwritten signature in cursive script, appearing to read "J. J. Souther".

August 10, 2005

ACADIANA OPEN CHANNEL, INC.

Schedule of Prior and Current Audit Findings and Management's Corrective Action Plan Year Ended June 30, 2005

I. Prior Year Findings:

Compliance

Finding 2004-1 – Insurance Coverage

Acadiana Open Channel, Inc. did not comply with the requirements of its contract with Lafayette City/Parish Consolidated Government relative to insurance coverage. Management should bring AOC's insurance coverage into compliance with the contract and/or obtain waivers from LCPCG for any requirements with which it can't comply.

Status:

See Finding 2005-1

Internal Control Over Financial Reporting

Finding 2004-2 – Inadequate Segregation of Duties

Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See current year finding 2005-1.

Finding 2004-3 – Financial Policies and Procedures

In May of 1995, management adopted "Financial Policies and Procedures". Several of the policies are not presently being followed, and some of the policies may no longer be appropriate or effective.

Status:

Unresolved. See current year finding 2005-2.

Finding 2004-4 – Investment Policy

Since May of 2000, and through October 2001, AOC had invested in government bonds and common stocks. I recommend that Management develop, adopt and implement a written investment policy.

Status:

Resolved.

ACADIANA OPEN CHANNEL, INC.

Schedule of Prior and Current Audit Findings and Management's Corrective Action Plan (Continued) Year Ended June 30, 2005

II. Current Year Findings and Management's Corrective Action Plan:

Compliance

Finding 2005-1 – Insurance Coverage

AOC disposed of its only vehicle during the current year and cancelled the policy insuring it. That policy also provided AOC's nonowned vehicle liability insurance, which left the organization uninsured relative to that area of risk and noncompliant relative to its contract with LCPCG. Prior year noncompliance issues relative to the LCPCG contract insurance requirements have been resolved. Management should obtain the nonowned vehicle insurance required by the LCPCG contract or obtain a waiver of the requirement from LCPCG.

Management's Response to Finding 2005-1

Management has an application for nonowned vehicle liability insurance pending; two prior applications for the coverage have been denied. If the coverage can't be obtained, AOC shall request a waiver of the requirement from LCPCG.

Internal Control Over Financial Reporting

Finding 2005-2 – Inadequate Segregation of Duties

Due to the small number of employees necessary to administer AOC's operations, it is not possible to effectively provide adequate segregation of duties. It is therefore important that management mitigate this internal control weakness through review of all payroll and disbursements as well as regular review of financial statements and budget performance.

Management's Response to Finding 2005-2

Management is aware of the weakness relative to segregation of duties which is a result of the small staff required to administer AOC's operations. Adding staff is not an economically viable solution, and therefore, management shall continue to monitor payroll and disbursements as well as regularly review financial statements and budget performance.

ACADIANA OPEN CHANNEL, INC.

**Schedule of Prior and Current Audit Findings and
Management's Corrective Action Plan (Continued)
Year Ended June 30, 2005**

Finding 2005-3 – Financial Policies and Procedures

In May of 1995, management adopted "Financial Policies and Procedures". Several of the policies are not presently being followed, and some of the policies may no longer be appropriate or effective. I recommend that management review the financial policies and procedures, revise them as necessary and monitor their implementation.

Management's Response to Finding 2005-3

AOC's Financial Policies and Procedures shall be reviewed, revised as necessary and management shall monitor the implementation of the revised policies and procedures. Management has set a target date of March 31, 2006 for reviewing, revising and implementing the financial policies and procedures.