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**MURRAY STATE UNIVERSITY**  
**WKMS-FM RADIO**  
AUDITOR COMMUNICATIONS  
JUNE 30, 2012

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DRAFT FOR  
DISCUSSION PURPOSES  
ONLY



News for the  
Four Rivers Region

Board of Regents  
Murray State University  
WKMS-FM Radio  
Murray, Kentucky

We have audited the basic financial statements of WKMS-FM Radio (the Station), a public telecommunications division operated by Murray State University, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 7, 2012. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 18, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of responsibility for the accuracy of the financial statements.

#### **Other Information In Documents Containing Audited Financial Statements**

To our knowledge, the 2012 audited financial statements are not included within any other document.

#### **Planned Scope And Timing Of The Audit**

We performed the audit according to the planned scope and timing previously communicated to you on June 1, 2012 in our meeting regarding the nature, timing and extent of our audit procedures.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Station are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Station during the year for which there was a lack of authoritative guidance or consensus. After adjustment, there were no significant transactions that have been recognized in the basic financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the basic financial statements are:

- Allowance for doubtful accounts receivable
- Depreciation and the useful lives of capital assets

We evaluated the key factors and assumptions used to develop the estimates identified above in determining that they are reasonable in relation to the basic financial statements taken as a whole.

The disclosures to the basic financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the basic financial statements' users. The most sensitive disclosures affecting the basic financial statements are:

The disclosure of deposits and investments in Note 3 to the basic financial statements. The cash balances attributable to the Station are included in bank accounts maintained by the University and the Foundation. As a result, the deposit and investment balances attributable to the Station cannot be formally confirmed with financial institutions.

The disclosure of Nonfederal Financial Support in Note 6 to the basic financial statements. This disclosure represents the amount considered to be Nonfederal Financial Support as determined by the guidance provided by the Corporation for Public Broadcasting.

*Difficulties Encountered in Performing the Audit*

We are pleased to report that we encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, communicate them to the appropriate level of management, and request their correction. During the course of the audit, we accumulated uncorrected misstatements which would have collectively increased net assets by \$23,839, that management has determined are not material, both individually and in the aggregate, to the financial statements taken as a whole. We agree with management's determination. The passed adjustment relates to the incorrect depreciation being taken on certain capital assets.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the attached management representation letter dated November 7, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to an entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Station’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Regents of Murray State University and is not intended to be and should not be used by anyone other than these specified parties.

November 7, 2012