

**KLCC-FM RADIO OF
LANE COMMUNITY COLLEGE**

AUDIT REPORT

Year Ended June 30, 2003

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INDEPENDENT AUDITOR'S REPORT

August 27, 2003

Board of Education
Lane Community College
Eugene, Oregon

We have audited the basic financial statements of KLCC-FM Radio of Lane Community College as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the combined financial statements of KLCC-FM Radio of Lane Community College are intended to present the financial position and changes in financial position of only that portion of the financial reporting entity of Lane Community College that is attributable to the transactions of KLCC-FM Radio.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of KLCC-FM Radio of Lane Community College as of June 30, 2003, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Station has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 1, the Station has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.


Kenneth Kuhns & Co.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Net Assets
June 30, 2003

<u>Assets</u>	
Cash and investments	\$ 376,435
Deposit	50,000
Capital assets, net of accumulated depreciation	<u>90,836</u>
Total assets	<u>517,271</u>
<u>Liabilities</u>	
Accounts payable	853
Deferred revenue	99,612
Compensated absences	<u>38,834</u>
Total liabilities	<u>139,299</u>
<u>Net Assets</u>	
Invested in capital assets	90,836
Unrestricted	<u>287,136</u>
Total net assets	<u><u>\$ 377,972</u></u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Activities
Year Ended June 30, 2003

Revenues:	
Contributions and membership	\$ 623,207
Underwriting	351,505
Lane Community College:	
General appropriation	214,233
Indirect administrative support	216,779
Corporation for Public Broadcasting:	
Community service grant	188,369
Interest income	5,547
All other	<u>38,869</u>
Total revenues	<u>1,638,509</u>
Expenses:	
Program services:	
Programming and production	701,075
Broadcasting	154,978
Program information	<u>52,415</u>
Total program services	<u>908,468</u>
Supporting services:	
Management and general	431,807
Fund raising and membership development	229,916
Underwriting and grant solicitation	<u>106,909</u>
Total supporting services	<u>768,632</u>
Depreciation	<u>16,428</u>
Total expenses	<u>1,693,528</u>
Change in net assets	(55,019)
Net assets - July 1, 2002	<u>432,991</u>
Net assets - June 30, 2003	<u><u>\$ 377,972</u></u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2003

<u>Assets</u>	<u>General</u>	<u>Special Revenue</u>	<u>Administrative Restricted</u>	<u>Totals</u>
Cash and investments	\$ 53,742	\$ 99,612	\$ 223,081	\$ 376,435
Deposit	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total assets	<u>\$ 103,742</u>	<u>\$ 99,612</u>	<u>\$ 223,081</u>	<u>\$ 426,435</u>
 <u>Liabilities and Fund Balances</u> 				
Liabilities:				
Accounts payable	\$ 853	\$ -	\$ -	\$ 853
Deferred revenue	<u>-</u>	<u>99,612</u>	<u>-</u>	<u>99,612</u>
Total liabilities	<u>853</u>	<u>99,612</u>	<u>-</u>	<u>100,465</u>
Fund balances:				
Designated for quasi-endowment	-	-	223,081	223,081
Unreserved, undesignated	<u>102,889</u>	<u>-</u>	<u>-</u>	<u>102,889</u>
Total fund balances	<u>102,889</u>	<u>-</u>	<u>223,081</u>	<u>325,970</u>
Total liabilities and fund balances	<u>\$ 103,742</u>	<u>\$ 99,612</u>	<u>\$ 223,081</u>	<u>\$ 426,435</u>

Amounts reported for governmental activities in the statement
of net assets (page 2) are different because:

Total fund balances shown above	\$ 325,970
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	90,836
Compensated absences	<u>(38,834)</u>
Net assets (page 2)	<u>\$ 377,972</u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Revenues, Expenditures and
Changes in Fund Balances
GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	General	Special Revenue	Administrative Restricted	Totals
Revenues:				
Contributions and membership	\$ 598,207	\$ -	\$ 25,000	\$ 623,207
Underwriting	351,505	-	-	351,505
Lane Community College:				
General appropriation	197,561	16,672	-	214,233
Indirect administrative support	-	216,779	-	216,779
Corporation for Public Broadcasting:				
Community service grant	-	188,369	-	188,369
Interest income	1,153	-	4,394	5,547
All other	7,476	31,393	-	38,869
 Total revenues	 <u>1,155,902</u>	 <u>453,213</u>	 <u>29,394</u>	 <u>1,638,509</u>
Expenditures:				
Program services:				
Programming and production	531,775	169,300	-	701,075
Broadcasting	138,306	16,672	-	154,978
Program information	-	52,415	-	52,415
 Total program services	 <u>670,081</u>	 <u>238,387</u>	 <u>-</u>	 <u>908,468</u>
Supporting services:				
Management and general	212,869	214,826	-	427,695
Fund raising and membership development	229,916	-	-	229,916
Underwriting and grant solicitation	106,909	-	-	106,909
 Total supporting services	 <u>549,694</u>	 <u>214,826</u>	 <u>-</u>	 <u>764,520</u>
Capital outlay	30,644	-	-	30,644
Total expenditures	<u>1,250,419</u>	<u>453,213</u>	<u>-</u>	<u>1,703,632</u>
 Revenues over-(under) expenditures	 <u>(94,517)</u>	 <u>-</u>	 <u>29,394</u>	 <u>(65,123)</u>
Other financing sources-(uses):				
Transfers in	49,360	-	-	49,360
Transfers out	-	-	(49,360)	(49,360)
 Total other financing sources-(uses)	 <u>49,360</u>	 <u>-</u>	 <u>(49,360)</u>	 <u>-</u>
 Net change in fund balances	 <u>(45,157)</u>	 <u>-</u>	 <u>(19,966)</u>	 <u>(65,123)</u>
Fund balances - July 1, 2002	<u>148,046</u>	<u>-</u>	<u>243,047</u>	<u>391,093</u>
Fund balances - June 30, 2003	<u>\$ 102,889</u>	<u>\$ -</u>	<u>\$ 223,081</u>	<u>\$ 325,970</u>

The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Amounts reported in the statement of activities
(page 3) are different because:

Net change in fund balances - total governmental funds (page 5) \$ (65,123)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year.

Capital outlay	30,644
Depreciation expense	(16,428)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the effect of the change in these liabilities during the year.

Compensated absences	<u>(4,112)</u>
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Change in net assets (page 3)	<u>\$ (55,019)</u>
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The accompanying notes are an integral part of this statement.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements Year Ended June 30, 2003

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of KLCC-FM Radio of Lane Community College have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Station implemented the new government-wide financial reporting model for the year ended June 30, 2003. The more significant of the Station's accounting policies are described below.

(A) Organization and Operation

KLCC-FM Radio is operated by Lane Community College (the institutional licensee). Lane Community College records the transactions of the Station in the College's general fund, special revenue fund and administrative restricted fund. Because these financial statements present only a selected portion of the activities of Lane Community College, they are not intended to and do not present the financial position and results of operations of the College as a whole.

(B) Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all of the activities of the Station.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

(C) Fund Financial Statements

The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Station uses three major funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

General Fund

This fund is used to account for general operations of the Station. Primary sources of revenues are contributions and membership, underwriting and a general appropriation from the College. Primary expenditures are for program services and supporting services.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2003

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Fund Financial Statements (Contd)

Special Revenue Fund

This fund is used to account for the program services funded by the Corporation for Public Broadcasting grants and to account for the indirect administrative support received from the College.

Administrative Restricted Fund

This fund consists of a quasi-endowment. A quasi-endowment is internally designated by the College's Board of Education rather than externally restricted. The fund was established to set aside funds for major capital replacement items for the Station and the Board has the right at any time to remove the restrictions and expend the principal.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Station's governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

The governmental funds are maintained using the 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 the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interfund transactions which are recorded on the accrual basis.

(D) Fixed Assets

Capital assets include broadcasting rights and equipment. The Station's capitalization threshold is \$5,000 for all capital assets. Donated assets are recorded at their fair market value on the date donated. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add value or functionality to the asset are not capitalized, but are expensed as incurred.

Capital assets are depreciated using the straight-line method over a 5 to 20 year estimated life.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2003

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(E) Compensated Absences

Vacation payable is expected to be paid with future resources and is recorded in the government-wide financial statements as earned by employees.

(F) Indirect Administrative Support

Indirect administrative support consists of allocated support service costs and plant operation costs incurred by the College on behalf of the Station. These costs are recorded as revenues and expenditures by the Station.

2 - CASH AND INVESTMENTS:

Cash and investments are included in the Lane Community College cash and investments pool. Readers of these financial statements are referred to the College's annual financial report for information regarding the extent deposits at the College are collateralized.

3 - DEPOSIT:

In July 2001, the Station entered into a Universal Settlement Agreement with Family Stations, Inc. and deposited \$50,000 in escrow. Under the terms of the Universal Settlement Agreement, the \$50,000 will be paid to Family Stations, Inc. upon approval of the Agreement by the Federal Communications Commission.

4 - CAPITAL ASSETS:

The following is a summary of changes in the Station's capital assets during the fiscal year:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Broadcasting rights	\$ -	\$ 25,000	\$ -	\$ 25,000
Equipment	300,929	5,644	-	306,573
Total capital assets	300,929	30,644	-	331,573
Accumulated depreciation	224,309	16,428	-	240,737
Net capital assets	<u>\$ 76,620</u>	<u>\$ 14,216</u>	<u>\$ -</u>	<u>\$ 90,836</u>

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
 Year Ended June 30, 2003

5 – VACATION PAYABLE:

During the year ended June 30, 2003, the following changes occurred in the compensated absences liability:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Compensated absences	<u>\$ 34,722</u>	<u>\$ 4,112</u>	<u>\$ -</u>	<u>\$38,834</u>

6 - OPERATING LEASES:

The Station is obligated under noncancelable operating leases for tower facilities. The following is a schedule of estimated future minimum rental payments:

2003-04	\$ 22,144
2004-05	13,606
2005-06	3,795