

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

AUDIT REPORT

Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

December 12, 2011

Board of Education
Lane Community College
Eugene, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of KLCC-FM Radio of Lane Community College as of and for the year ended June 30, 2011, which collectively comprise the Station's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Station's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

As discussed in Note 1, the basic 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 respective financial position of the governmental activities and each major fund of KLCC-FM Radio of Lane Community College as of June 30, 2011, 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.

The Station has not presented the management's discussion and analysis information that is supplementary information required by accounting principles generally accepted in the United States of America, although not required to be part of the basic financial statements.

Kenneth Kuhns & Co.
Kenneth Kuhns & Co.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Net Assets
June 30, 2011

<u>Assets</u>	
Cash and investments	\$ 980,294
Capital assets, net of accumulated depreciation	<u>1,873,121</u>
Total assets	<u>2,853,415</u>
<u>Liabilities</u>	
Accounts payable	15,532
Deferred revenue	137,658
Compensated absences	<u>77,270</u>
Total liabilities	<u>230,460</u>
<u>Net Assets</u>	
Invested in capital assets	1,873,121
Unrestricted	<u>749,834</u>
Total net assets	<u>\$ 2,622,955</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, 2011

Revenues:	
Contributions and membership	\$ 809,611
Underwriting	568,499
Lane Community College:	
General appropriation	227,155
Indirect administrative support	283,988
Corporation for Public Broadcasting - Community service grant	316,154
Interest income	3,463
All other	<u>32,506</u>
Total revenues	<u>2,241,376</u>
Expenses:	
Program services:	
Programming and production	995,740
Broadcasting	240,669
Program information	<u>20,793</u>
Total program services	<u>1,257,202</u>
Supporting services:	
Management and general	473,630
Fund raising and membership development	289,235
Underwriting and grant solicitation	<u>139,521</u>
Total supporting services	<u>902,386</u>
Depreciation	<u>75,044</u>
Total expenses	<u>2,234,632</u>
Change in net assets	6,744
Net assets - July 1, 2010	<u>2,616,211</u>
Net assets - June 30, 2011	<u><u>\$2,622,955</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, 2011

<u>Assets</u>	<u>General</u>	<u>Special Revenue</u>	<u>Administrative Restricted</u>	<u>Totals</u>
Cash and investments	<u>\$ 343,166</u>	<u>\$ 145,683</u>	<u>\$ 491,445</u>	<u>\$ 980,294</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 7,507	\$ 8,025	\$ -	\$ 15,532
Deferred revenue	<u>-</u>	<u>137,658</u>	<u>-</u>	<u>137,658</u>
Total liabilities	<u>7,507</u>	<u>145,683</u>	<u>-</u>	<u>153,190</u>
Fund balances:				
Committed for quasi-endowment	-	-	487,761	487,761
Unassigned	<u>335,659</u>	<u>-</u>	<u>3,684</u>	<u>339,343</u>
Total fund balances	<u>335,659</u>	<u>-</u>	<u>491,445</u>	<u>827,104</u>
Total liabilities and fund balances	<u>\$ 343,166</u>	<u>\$ 145,683</u>	<u>\$ 491,445</u>	<u>\$ 980,294</u>

Amounts reported for governmental activities in the statement
of net assets (page 3) are different because:

Total fund balances shown above	\$ 827,104
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,873,121
Compensated absences	<u>(77,270)</u>
Net assets (page 3)	<u>\$ 2,622,955</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, 2011

	General	Special Revenue	Administrative Restricted	Totals
Revenues:				
Contributions and membership	\$ 783,611	\$ -	\$ 26,000	\$ 809,611
Underwriting	568,499	-	-	568,499
Lane Community College:				
General appropriation	197,564	29,591	-	227,155
Indirect administrative support	-	283,988	-	283,988
Corporation for Public Broadcasting:				
Community service grant	-	316,154	-	316,154
Interest income	1,054	-	2,409	3,463
All other	313	32,193	-	32,506
	<u>1,551,041</u>	<u>661,926</u>	<u>28,409</u>	<u>2,241,376</u>
Expenditures:				
Program services:				
Programming and production	668,186	327,554	-	995,740
Broadcasting	211,078	29,591	-	240,669
Program information	-	20,793	-	20,793
	<u>879,264</u>	<u>377,938</u>	<u>-</u>	<u>1,257,202</u>
Supporting services:				
Management and general	208,402	283,988	-	492,390
Fund raising and membership development	289,235	-	-	289,235
Underwriting and grant solicitation	139,521	-	-	139,521
	<u>637,158</u>	<u>283,988</u>	<u>-</u>	<u>921,146</u>
Total expenditures	<u>1,516,422</u>	<u>661,926</u>	<u>-</u>	<u>2,178,348</u>
Net change in fund balances	34,619	-	28,409	63,028
Fund balances - July 1, 2010	<u>301,040</u>	<u>-</u>	<u>463,036</u>	<u>764,076</u>
Fund balances - June 30, 2011	<u>\$ 335,659</u>	<u>\$ -</u>	<u>\$ 491,445</u>	<u>\$ 827,104</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, 2011

Amounts reported in the statement of activities
(page 4) are different because:

Net change in fund balances - total governmental funds (page 6)	\$ 63,028
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. Depreciation expense	(75,044)
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>18,760</u>
Change in net assets (page 4)	<u><u>\$ 6,744</u></u>

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, 2011

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 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.

Notes to Financial Statements
Year Ended June 30, 2011

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, the US Department of Commerce grant 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.

In the fund financial statements, the Station reports classifications of fund balance based primarily on the extent to which the Station is bound to honor constraints on the specific purposes for which those funds can be spent. Committed fund balance includes items committed by action of the Board of Directors. Unassigned fund balance is the residual classification for amounts that are not restricted or assigned to specific purposes. When more than one category of fund balance is available for a certain expenditure, the Station considers fund balance to be spent in the following order: committed then unassigned

(D) Fixed Assets

Capital assets include broadcasting rights and equipment. The Station's capitalization threshold is \$10,000 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.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2011

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

Capital assets are depreciated using the straight-line method over a 5 to 25 year estimated life.

(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 - CAPITAL ASSETS:

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Land	\$ 320,613	\$ -	\$ -	\$ 320,613
Broadcasting rights	75,000	-	-	75,000
Building	1,137,034	-	-	1,137,034
Equipment	688,252	-	-	688,252
Total capital assets	2,220,899	-	-	2,220,899
Accumulated depreciation	272,734	75,044	-	347,778
Net capital assets	<u>\$ 1,948,165</u>	<u>\$ (75,044)</u>	<u>\$ -</u>	<u>\$ 1,873,121</u>

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2011

4 – VACATION PAYABLE:

During the year ended June 30, 2011, the following changes occurred in the compensated absences liability:

	Balance July 1, 2010	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2011
Compensated absences	<u>\$ 96,030</u>	<u>\$ -</u>	<u>\$18,760</u>	<u>\$77,270</u>

5 - OPERATING LEASES:

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

2011-12	\$ 21,300
2012-13	21,913
2013-14	20,124
2014-15	15,984
2015-16	16,693