

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

AUDIT REPORT

Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

December 5, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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. They do not purport to, and do not, present fairly the financial position of Lane Community College as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Statement of Net Position
June 30, 2013

Assets

Cash and investments	\$ 846,359
Capital assets, net of accumulated depreciation	<u>1,728,420</u>
Total assets	<u>2,574,779</u>

Liabilities

Accounts payable	3,621
Unearned revenue	131,013
Compensated absences	<u>93,755</u>
Total liabilities	<u>228,389</u>

Net Position

Invested in capital assets	1,728,420
Unrestricted	<u>617,970</u>
Total net position	<u>\$ 2,346,390</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, 2013

Revenues:	
Contributions and membership	\$ 849,809
Underwriting	448,168
Lane Community College:	
General appropriation	239,969
Indirect administrative support	315,547
Corporation for Public Broadcasting - Community service grant	318,343
Interest income	4,431
All other	<u>60,625</u>
Total revenues	<u>2,236,892</u>
Expenses:	
Program services:	
Programming and production	955,251
Broadcasting	286,706
Program information	<u>40,632</u>
Total program services	<u>1,282,589</u>
Supporting services:	
Management and general	600,569
Fund raising and membership development	294,133
Underwriting and grant solicitation	<u>154,477</u>
Total supporting services	<u>1,049,179</u>
Depreciation	<u>72,969</u>
Total expenses	<u>2,404,737</u>
Change in net assets	(167,845)
Net assets - July 1, 2012	<u>2,514,235</u>
Net assets - June 30, 2013	<u><u>\$2,346,390</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, 2013

<u>Assets</u>	<u>General</u>	<u>Special Revenue</u>	<u>Administrative Restricted</u>	<u>Totals</u>
Assets:				
Cash and investments	<u>\$ 144,828</u>	<u>\$ 131,013</u>	<u>\$ 570,518</u>	<u>\$ 846,359</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 3,621	\$ -	\$ -	\$ 3,621
Unearned revenue	<u>-</u>	<u>131,013</u>	<u>-</u>	<u>131,013</u>
Total liabilities	<u>3,621</u>	<u>131,013</u>	<u>-</u>	<u>134,634</u>
Fund balances:				
Committed for quasi-endowment	-	-	566,834	566,834
Unassigned	<u>141,207</u>	<u>-</u>	<u>3,684</u>	<u>144,891</u>
Total fund balances	<u>141,207</u>	<u>-</u>	<u>570,518</u>	<u>711,725</u>
Total liabilities and fund balances	<u>\$ 144,828</u>	<u>\$ 131,013</u>	<u>\$ 570,518</u>	<u>\$ 846,359</u>

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

Total fund balances shown above	\$ 711,725
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,728,420
Compensated absences	<u>(93,755)</u>
Net assets (page 3)	<u>\$ 2,346,390</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, 2013

	General	Special Revenue	Administrative Restricted	Totals
Revenues:				
Contributions and membership	\$ 849,809	\$ -	\$ -	\$ 849,809
Underwriting	448,168	-	-	448,168
Lane Community College:				
General appropriation	197,564	42,405	-	239,969
Indirect administrative support	-	315,547	-	315,547
Corporation for Public Broadcasting:				
Community service grant	-	318,343	-	318,343
Interest income	1,180	-	3,251	4,431
All other	8,593	52,032	-	60,625
Total revenues	1,505,314	728,327	3,251	2,236,892
Expenditures:				
Program services:				
Programming and production	625,508	329,743	-	955,251
Broadcasting	244,301	42,405	-	286,706
Program information	-	40,632	-	40,632
Total program services	869,809	412,780	-	1,282,589
Supporting services:				
Management and general	274,435	315,547	-	589,982
Fund raising and membership development	294,133	-	-	294,133
Underwriting and grant solicitation	154,477	-	-	154,477
Total supporting services	723,045	315,547	-	1,038,592
Total expenditures	1,592,854	728,327	-	2,321,181
Net change in fund balances	(87,540)	-	3,251	(84,289)
Fund balances - July 1, 2012	228,747	-	567,267	796,014
Fund balances - June 30, 2013	<u>\$ 141,207</u>	<u>\$ -</u>	<u>\$ 570,518</u>	<u>\$ 711,725</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, 2013

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

Net change in fund balances - total governmental funds (page 6) \$ (84,289)

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 (72,969)

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 (10,587)

Change in net assets (page 4) \$ (167,845)

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, 2013

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 Position 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. 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.

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.

Notes to Financial Statements
Year Ended June 30, 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(C) Fund Financial Statements (Contd)

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 \$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.

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.

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2013

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Contd)

(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.

(G) Fund balances in the governmental fund financial statements

When expenditure is incurred for which committed or unassigned fund balances are available, the Station considers amounts to have been spent first out of committed funds then unassigned funds.

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, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 320,613	\$ -	\$ -	\$ 320,613
Broadcasting rights	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Total capital assets not being depreciated	<u>395,613</u>	<u>-</u>	<u>-</u>	<u>395,613</u>
Capital assets being depreciated:				
Building	1,137,034	-	-	1,137,034
Equipment	<u>688,252</u>	<u>-</u>	<u>-</u>	<u>688,252</u>
Total capital assets being depreciated	1,825,286	-	-	1,825,286
Accumulated depreciation	<u>419,510</u>	<u>72,969</u>	<u>-</u>	<u>492,479</u>
Total capital assets being depreciated, net	<u>1,405,776</u>	<u>(72,969)</u>	<u>-</u>	<u>1,332,807</u>
Net capital assets	<u>\$ 1,801,389</u>	<u>\$ (72,969)</u>	<u>\$ -</u>	<u>\$ 1,728,420</u>

KLCC-FM RADIO OF LANE COMMUNITY COLLEGE

Notes to Financial Statements
Year Ended June 30, 2013

4 – VACATION PAYABLE:

During the year ended June 30, 2013, the following changes occurred in the compensated absences liability:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Compensated absences	<u>\$83,168</u>	<u>\$10,587</u>	<u>\$ -</u>	<u>\$93,755</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:

2013-14	\$ 43,455
2014-15	37,006
2015-16	25,526
2016-17	26,288