



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE November 30, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on KCKK-FM Radio, a public telecommunications entity operated by Kirkwood Community College in Cedar Rapids, Iowa.

KCKK-FM Radio's operating revenues totaled \$1,022,989 for the year ended June 30, 2006, which included \$480,257 from the State Board and Iowa Department of Education, \$189,485 from administrative support from Kirkwood Community College, \$135,771 from CPB – Community Services grants, \$181,322 from individual contributions and \$28,845 from business and industry contributions.

Operating expenses of KCKK-FM Radio for the year ended June 30, 2006 were as follows:

Programming and production	\$ 471,476
Broadcast and engineering	86,492
Program information and promotion	25,614
Management and general	373,395
Fund raising and member development	73,864
Underwriting and grant solicitation	12,025
Depreciation	<u>22,229</u>
Total	<u>\$ 1,065,095</u>

A copy of the audit report is available for review in the Board Secretary's office at Kirkwood Community College, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**KCCK-FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OPERATED BY KIRKWOOD COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**KCCK-FM Radio**  
**A Public Telecommunications Entity**  
**Operated by Kirkwood Community College**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Directors</b> <b>(Before September 2005 Election)</b>		
Lois Bartelme	President	2007
Mervin Cronbaugh	Vice President	2005
Karen Gorham	Member	2005
John Hall	Member	2005
Gregg Bosch	Member	2006
Elaine Harrington	Member	2006
Stacey Iben	Member	2006
Paul Glenn	Member	2007
James Mollenhauer	Member	2007

**Board of Directors**  
**(After September 2005 Election)**

Lois Bartelme	President	2007
Mervin Cronbaugh	Vice President	2008
Gregg Bosch	Member	2006
Elaine Harrington	Member	2006
Stacey Iben	Member	2006
Paul Glenn	Member	2007
James Mollenhauer	Member	2007
Karen Gorham	Member	2008
John Hall	Member	2008

**Community College**

Mick Starcevich	President
Bob Freeman	Director of Human Resources
Lois Nanke (Retired May 2006)	Board Treasurer and Vice President, Administration
Jim Choate	Vice President, Chief Financial/Operations Officer
Cheryle Mitvalsky	Vice President, Resource Development
Dennis Green	Station Manager

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Independent Auditor's Report

To the Board of Directors of  
Kirkwood Community College:

We have audited the accompanying basic financial statements of KCKK-FM Radio, a public telecommunications entity operated by Kirkwood Community College, Cedar Rapids Iowa, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of KCKK-FM Radio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of KCKK-FM Radio are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of Kirkwood Community College that is attributable to the transactions of KCKK-FM Radio. They do not purport to, and do not, present fairly the financial position of Kirkwood Community College as of June 30, 2006 and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCKK-FM Radio at June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006 on our consideration of KCKK-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

KCKK-FM Radio has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 28, 2006

**Exhibit A**

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KCKK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Statement of Net Assets

June 30, 2006

<b>Assets</b>	
Current assets:	
Accounts receivable	\$ 52,900
Due from Kirkwood Community College Foundation	354,192
Total current assets	<u>407,092</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>100,055</u>
<b>Total assets</b>	<u>507,147</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	9,335
Due to Kirkwood Community College	138,828
Compensated absences	15,115
Total current liabilities	<u>163,278</u>
Noncurrent liabilities:	
Compensated absences	<u>22,158</u>
<b>Total liabilities</b>	<u>185,436</u>
<b>Net assets</b>	
Invested in capital assets	100,055
Unrestricted	<u>221,656</u>
<b>Total net assets</b>	<u><u>\$ 321,711</u></u>

See notes to financial statements.

KCKK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2006

Operating revenues:	
State Board and Iowa Department of Education allocations	\$ 480,257
Administrative support from Kirkwood Community College	189,485
CPB - Community Service grants	135,771
Contributions from individuals through Kirkwood Community College Foundation	181,322
Contributions from business and industry through Kirkwood Community College Foundation	28,845
Miscellaneous	7,309
Total operating revenues	1,022,989
Operating expenses:	
Programming and production	471,476
Broadcast and engineering	86,492
Program information and promotion	25,614
Management and general	373,395
Fund raising and membership development	73,864
Underwriting and grant solicitation	12,025
Depreciation	22,229
Total operating expenses	1,065,095
Operating loss	(42,106)
Non-operating income:	
Interest income	17,643
Change in net assets	(24,463)
Net assets beginning of year	346,174
Net assets end of year	\$ 321,711

See notes to financial statements.

**Exhibit C**

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KCKK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Statement of Cash Flows

Year ended June 30, 2006

Cash flows from operating activities:	
Cash received from State Board and Iowa Department of Education allocations	\$ 504,126
Cash received for administrative support	189,485
Cash received from CPB - Community Service grants	62,209
Cash received from Kirkwood Community College Foundation contributors, underwriting and other	249,330
Other operating revenues	7,309
Cash paid to employees	(591,404)
Cash paid to vendors and suppliers	(438,698)
Net cash used by operating activities	<u>(17,643)</u>
Cash flows from investing activities:	
Interest on investments	<u>17,643</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u><u>\$ -</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (42,106)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	22,229
(Increase) in accounts receivable	(42,025)
Decrease in due from Kirkwood Community College Foundation	39,163
Increase in accounts payable	7,579
Increase in due to Kirkwood Community College	23,869
(Decrease) in deferred income	(31,537)
Increase in compensated absences	5,185
Total adjustments	<u>24,463</u>
Net cash used by operating activities	<u><u>\$ (17,643)</u></u>

See notes to financial statements.

KCCCK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

KCCCK-FM Radio is a non-profit, non-commercial radio station and an affiliate of the National Public Radio Network operating with a power of 10,000 watts. Emphasis is placed on service to a seven county area in East Central Iowa. KCCCK-FM Radio is operated by Kirkwood Community College.

KCCCK-FM Radio's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, KCCCK-FM Radio has included all funds, organizations, boards, commissions and authorities. It has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with KCCCK-FM Radio are such that exclusion would cause KCCCK-FM Radio's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of KCCCK-FM Radio to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on KCCCK-FM Radio. KCCCK-FM Radio has no component units which meet the Governmental Accounting Standards Board criteria.

KCCCK-FM Radio participates in the Kirkwood Community College Foundation, which is a related organization for which KCCCK-FM Radio is not financially accountable and its relationship with KCCCK-FM Radio is such that exclusion does not cause KCCCK-FM Radio's financial statements to be misleading.

B. Financial Statement Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following net asset categories:

*Invested in capital assets* consists of capital assets, net of accumulated depreciation and outstanding debt, if any.

*Unrestricted net assets* consist of net assets not subject to externally imposed stipulations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

C. Measurement Focus and Basis of Accounting

The financial statements of KCKK-FM Radio have been prepared on the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents – KCKK-FM Radio makes deposits with Kirkwood Community College and with the Kirkwood Community College Foundation. For purposes of the statement of cash flows, KCKK-FM Radio considers cash and all short-term cash investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

Capital Assets – Capital assets are valued at historical cost if purchased. Donated capital assets are stated at fair market value at date of donation.

The cost of repair and maintenance is charged to expense when incurred, while the cost of renewals or substantial betterments is capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by KCKK-FM Radio as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

<u>Assets</u>	<u>Amount</u>
Equipment	\$ 5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	10

Compensated Absences – KCKK-FM Radio employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as current or noncurrent liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

Operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions resulting from exchange transactions, such as payments received for providing services and payments made for services or goods received.

**(2) Deposits and Investments**

KCCK-FM Radio has commingled its deposits and investments with Kirkwood Community College and the Kirkwood Community College Foundation to obtain greater flexibility and efficiency.

KCCK-FM Radio's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

KCCK-FM Radio had no investments subject to the disclosure requirements of GASB Statement No. 3 as amended by Statement No. 40.

**(3) Due from Kirkwood Community College Foundation**

The Kirkwood Community College Foundation collects contributions from individuals, business and industry for the benefit of KCCK-FM Radio. The amount reported as Due from Kirkwood Community College Foundation represents cash and investments held by the Foundation restricted for the benefit of KCCK-FM Radio.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets being depreciated:				
Equipment	\$ 247,394	-	-	247,394
Less accumulated depreciation for:				
Equipment	125,110	22,229	-	147,339
Capital assets, net	\$ 122,284	(22,229)	-	100,055

**(5) Related Party Organization**

The Kirkwood Community College Foundation is considered a related party organization of KCCK-FM Radio.

The Kirkwood Community College Foundation provides services for the benefit of Kirkwood Community College. In return, Kirkwood Community College has provided the Foundation with certain staff, facilities and insurance coverage for its operations without charge. A value of the services provided to the Foundation has not been determined for the year ended June 30, 2006. The governing board of the Foundation has members who are also officers of the Community College. However, these members do not comprise a majority of the Foundation's board.

Funding for the Foundation is obtained primarily through donations. Significant financial data of the Foundation for the year ended June 30, 2006 follows.

Total assets	\$ 14,208,053
Total liabilities	633,134
Total equity	13,574,919
Total revenues	5,013,569
Total expenses	2,488,124

**(6) Iowa Public Employees Retirement System (IPERS)**

KCCK-FM Radio, through Kirkwood Community College, contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and KCCK-FM Radio is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. KCCK-FM Radio's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$11,788, \$7,998 and \$7,086, respectively, equal to the required contributions for each year.

**(7) Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF)**

KCCK-FM Radio, through Kirkwood Community College, contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible KCCK-FM Radio employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% of their annual covered salary and KCCK-FM Radio is required to contribute 5.75% of annual covered payroll. KCCK-FM Radio's and its employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2006 were \$8,977 and \$5,776, respectively.

**(8) Risk Pool**

KCCK-FM Radio is operated by Kirkwood Community College. The Community College is a member in the Insurance Management Program for Area Community Colleges (IMPACC), as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose six members are Iowa Community Colleges. The Program was incorporated in May 1988 for the purpose of managing and funding insurance for its members. The Program provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omission and College Board legal liability, workers compensation and employers liability, crime insurance and fiduciary bonds and boiler and machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual contributions to the Program fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Program's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year.

The Community College's contributions to the risk pool are recorded as prepaid expense from its operating funds at the time of payment to the risk pool. The Community College amortizes the expense over the periods for which the pool is expected to provide coverage.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self insured retention of \$200,000 per claim, except for errors and omissions which has a retention of \$100,000. Excess insurance for all lines is \$900,000 per occurrence, except workers compensation which is \$150,000. There is additional excess coverage above that for another \$9,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$250,000,000. Stop gap loss protection is provided above the member's loss fund.

The Program's intergovernmental contract with its members provides that in the event any claim or series of claims exceeds the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The Community College does not report a liability for losses in excess of reinsurance unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the Community College's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership in the Program for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the By-laws, may withdraw from the Program. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

The Community College also carries commercial insurance purchased from other insurers for coverage associated with catastrophic, accidental death and dismemberment. The Community College assumes liability for any deductibles and claims in excess of coverage limits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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Independent Auditor's Report on  
Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of  
Kirkwood Community College:

We have audited the financial statements of KCKK-FM Radio, a public telecommunications entity operated by Kirkwood Community College, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 28, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KCKK-FM Radio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether KCKK-FM Radio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, non-compliance 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Kirkwood Community College and KCKK-FM Radio, citizens of the State of Iowa and other parties to whom KCKK-FM Radio may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of KCKK-FM Radio during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 28, 2006

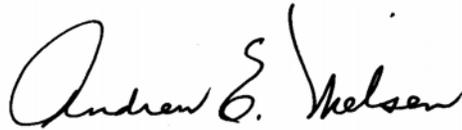
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KCCK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Kip M. Druecker, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State