



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE November 25, 2003

Contact: Andy Nielsen  
515/281-5834

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

KCCK-FM's operating revenues totaled \$1,027,316 for the year ended June 30, 2003, and included \$515,568 from the State Board and Iowa Department of Education, \$202,940 from administrative support from Kirkwood Community College, \$120,257 from CPB - Community Services grants, \$151,848 from individual contributions and \$33,403 from business and industry contributions.

Operating expenses of the Radio Station for the year ended June 30, 2003 were as follows:

Programming and production	\$ 426,266
Broadcast and engineering	93,959
Program information and promotion	19,250
Management and general	405,692
Fund raising and member development	51,876
Underwriting and grant solicitation	34,584
Depreciation	<u>18,683</u>

Total expenditures \$ 1,050,310

A copy of the audit report is available for review in the Office of Auditor of State and the Board Secretary's office of Kirkwood Community College.

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**KCCK-FM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY**  
**OPERATED BY KIRKWOOD COMMUNITY COLLEGE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**KCKK-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 (Before September 2002 Election)</b>		
Wayne T. Newton	President	2003
Gregg Bosch	Vice President	2003
Mervin Cronbaugh	Member	2002
Karen Gorham	Member	2002
John Hall	Member	2002
Jerry Pearson	Member	2003
Lois Bartelme	Member	2004
Robert A. Davidson	Member	2004
Robert French	Member	2004

**Board of Directors  
(After September 2002 Election)**

Wayne T. Newton	President	2003
Gregg Bosch	Vice President	2003
Jerry Pearson (resigned)	Member	2003
Stacy Iban (appointed)	Member	2003
Lois Bartelme	Member	2004
Robert A. Davidson	Member	2004
Robert French	Member	2004
Mervin Cronbaugh	Member	2005
Karen Gorham	Member	2005
John Hall	Member	2005

**Community College**

Norman R. Nielsen	President
Darryl Borcharding	Board Secretary and Director of Human Resources
Lois Nanke	Board Treasurer and Vice President, Administration
Cheryle Mitvalsky	Vice President, Resource Development
Dennis Green	Station Manager

**KCCK-FM Radio**  
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Independent Auditor's Report

To the Board of Directors of  
Kirkwood Community College:

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, 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, 2003. These financial statements are the responsibility of Community College's officials. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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.

KCKK-FM has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

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, 2003, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 7, during the year ended June 30, 2003, KCKK-FM Radio adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. KCKK-FM Radio also changed its capital asset capitalization threshold and the reporting of cash and investments held by a foundation for the benefit of KCKK-FM Radio as described in note 7.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2003 on our consideration of KCCK-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "David A. Vaudt". The signature is written in a cursive, flowing style.

DAVID A. VAUDT, CPA  
Auditor of State

October 3, 2003



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

Statement of Net Assets

June 30, 2003

**Assets**

Current assets:	
Cash and investments (note 2)	\$ 7,136
Due from Kirkwood Community College Foundation	97,294
Total current assets	104,430
Noncurrent assets:	
Capital assets, net of accumulated depreciation (note 3)	118,581
<b>Total assets</b>	<b>223,011</b>

**Liabilities**

Current liabilities:	
Accounts payable	317
Due to Kirkwood Community College Foundation	3,300
Due to Kirkwood Community College	89,664
Deferred revenue	11,149
Compensated absences	12,558
Total current liabilities	116,988
Noncurrent liabilities:	
Compensated absences	10,430
<b>Total liabilities</b>	<b>127,418</b>

**Net assets**

Invested in capital assets	118,581
Unrestricted	(22,988)
<b>Total net assets</b>	<b>\$ 95,593</b>

See notes to financial statements.

**Exhibit B**

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

Statement of Revenues, Expenses and  
Changes in Net Assets

Year ended June 30, 2003

## Operating revenues:

State Board and Iowa Department of Education allocations	\$ 515,568
Administrative support from Kirkwood Community College	202,940
CPB - Community Service grants	120,257
Contributions from Individuals through Kirkwood Community College Foundation	151,848
Contributions from Business and Industry through Kirkwood Community College Foundation	33,403
Miscellaneous	3,300
Total operating revenues	<u>1,027,316</u>

## Operating expenses:

Programming and production	426,266
Broadcast and engineering	93,959
Program information and promotion	19,250
Management and general	405,692
Fund raising and membership development	51,876
Underwriting and grant solicitation	34,584
Depreciation	18,683
Total operating expenses	<u>1,050,310</u>

Change in net assets (22,994)

Net assets beginning of year, as restated (note 7)	<u>118,587</u>
Net assets end of year	<u>\$ 95,593</u>

See notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2003

Cash flows from operating activities:	
Cash received from State Board and Iowa Department of Education allocations	\$ 515,568
Cash received for administrative support	202,940
Cash received from CPB - Community Service grants	118,950
Cash received from federal grants	2,307
Cash received from Kirkwood Community College Foundation contributors	57,374
Cash received from Kirkwood Community College Foundation underwriting	33,403
Other operating revenues	3,300
Cash payments to employees	(437,414)
Cash payments to vendors and suppliers	(496,621)
Net cash used by operating activities	<u>(193)</u>
Cash and cash equivalents beginning of year, as restated (note 7)	<u>7,329</u>
Cash and cash equivalents end of year	<u><u>\$ 7,136</u></u>
Reconciliation of change in net assets to net cash used by operating activities:	
Change in net assets	<u>\$ (22,994)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	18,683
Changes in assets and liabilities:	
(Increase) in accounts receivable	(92,167)
Increase in accounts payable	93,281
(Decrease) in deferred income	(1,307)
Increase in compensated absences	4,311
Total adjustments	<u>22,801</u>
Net cash used by operating activities	<u><u>\$ (193)</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, 2003

**(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. The Radio Station operates 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 and the financial activity is included in the financial statements of Kirkwood Community College, Cedar Rapids, Iowa.

A. Reporting Entity

For financial reporting purposes, KCCCK-FM Radio has included all funds, organizations, boards, commissions and authorities. The Radio Station 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 the Radio Station are such that exclusion would cause the Radio Station'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 the Radio Station 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 the Radio Station. 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 the Radio Station is not financially accountable and their relationship with the Radio Station is such that exclusion does not cause KCCCK-FM Radio's financial statements to be misleading.

B. Financial Statement Presentation

During the year ended June 30, 2003, KCCCK-FM Radio adopted GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities as amended by GASB Statements Nos. 37 and 38. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets: Capital assets, net of accumulated depreciation and outstanding debt, if any.

Unrestricted Net Assets: Net assets that are 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 basic 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 plant 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 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 and vehicles	\$ 5,000

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

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

Deferred Revenue – Gifts and grants restricted by outside parties for specified purposes are deemed to be earned and reported as revenues when KCKK-FM Radio has incurred expenses in compliance with the specific restrictions. Amounts received but not yet earned are reported as deferred revenue.

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 current rates of pay in effect at June 30, 2003.

Operating Activities – Operating activities, as reported in the Statement of Revenue, Expenses and Changes in Net Assets, are transactions that result 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 the Kirkwood Community College and the Kirkwood Community College Foundation to obtain greater flexibility and efficiency.

The Community College’s deposits at June 30, 2003 were entirely covered by federal depository 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.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year as restated (Note 7)	Additions	Deletions	Balance End of Year
Capital assets being depreciated:				
Equipment	\$ 206,834	-	-	206,834
Less accumulated depreciation for:				
Equipment	69,570	18,683	-	88,253
Capital assets, net	<u>\$ 137,264</u>	<u>(18,683)</u>	<u>-</u>	<u>118,581</u>

**(4) Related Party Organization**

The following organization 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, 2003. 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. During the year ended June 30, 2003, KCCK-FM Radio received \$185,251 from the Kirkwood Community College Foundation. Significant financial data of the Foundation for the year ended June 30, 2002, the most recent information available follows:

Total assets	\$8,272,691
Total liabilities	1,275,491
Total equity	6,997,200
Total revenues	4,931,161
Total expenses	4,234,052

At June 30, 2003, the Foundation held cash and investments totaling \$231,571 restricted for the benefit of KCCK-FM Radio. These assets are not included in the statement of net assets.

**(5) 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 School 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 members' 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 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 \$100,000 per claim, except for workers compensation which has a self insured retention of \$200,000. Excess insurance for workers compensation is for statutory limits. Excess for all other lines is \$900,000 per occurrence. There is additional excess above that for another \$5,000,000 per member. Property is insured with excess coverage over the self insured retention of up to \$30,000,000 for boiler and machinery and up to \$50,000,000 for other property. 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the Community College's financial statements. As of June 30, 2003, 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 plant assets and accidental death and dismemberment. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Pension and Retirement Benefits**

**Iowa Public Employees Retirement System**

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. Contribution requirements are established by state statute. KCCK-FM Radio's contributions to IPERS for the three years ended June 30, 2003, 2002, and 2001 were \$6,677, \$6,194, and \$5,960, respectively, equal to the required contributions for each year.

**Teachers Insurance and Annuity Association - College Retirement Equities Fund**

KCCK-FM Radio, through Kirkwood Community College, contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. The Code of Iowa establishes the Plan's contribution requirements. As required by the Code of Iowa, all eligible KCCK-FM Radio Station employees must participate in one of the retirement plans from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee contributes 3.7% of earnings and KCCK-FM Radio is required to contribute 5.75% of earnings. KCCK-FM Radio's and employee required and actual contributions to TIAA-CREF for the year ended June 30, 2003 were \$8,642 and \$5,561, respectively.

**(7) Accounting Change**

For the year ended June 30, 2003, KCCK-FM Radio implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements create new basic financial statements for reporting the Radio Station's financial activities. The significant changes in these financial statements include the recording and depreciation of capital assets, and the removal of capital-related items from revenues and expenses.

The beginning net asset amount in the statement of revenues, expenses and changes in net assets reflects the change in net assets due to recording the accumulated depreciation on capital assets. As of July 1, 2002, the Radio Station also revised its capital assets capitalization policy. The threshold for capitalizing equipment and vehicles increased to \$5,000 from \$500, which resulted in a restatement of the beginning balance for capital assets.

In addition, in prior years the Radio Station reported certain cash and investments restricted for the Radio Station's use that were contributed to and held by the Kirkwood Community College Foundation. On July 1, 2002, the Radio Station changed its policy and now records Foundation contributions to the extent costs have been incurred that qualify for reimbursement.



Restatements of capital assets, net assets and cash and investments as of July 1, 2002 are as follows:

<b>Capital Assets</b>	Balance Beginning of Year	Adjustments Due to Change in Capitalization Policy	Restated Balance
Equipment	\$ 303,730	(96,896)	206,834

**Net Assets**

Total fund equity at June 30, 2002	\$ 494,643
Adjustments	
Accumulated depreciation	(69,570)
Elimination of capital assets due to change in capitalization policy	(96,896)
Reduction due to elimination of cash held by Kirkwood Community College Foundation less related accounts payable	<u>(209,590)</u>
Net assets July 1, 2002, as restated	<u>\$ 118,587</u>

**Cash and Investments**

Cash balance at June 30, 2002	\$ 292,473
Reduction due to elimination of cash held by Kirkwood Community College Foundation	<u>(285,144)</u>
Cash and Investments July 1, 2002, as restated	<u>\$ 7,329</u>

**KCCK-FM Radio**  
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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

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, 2003, and have issued our report thereon dated October 3, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 grants, 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 that are required to be reported under Government Auditing Standards.

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 assurance 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.

This report, a public record by law, is intended solely for the information and use of the officials and employees 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.

A handwritten signature in black ink that reads "David A. Vaudt". The signature is written in a cursive, flowing style.

DAVID A. VAUDT, CPA  
Auditor of State

October 3, 2003

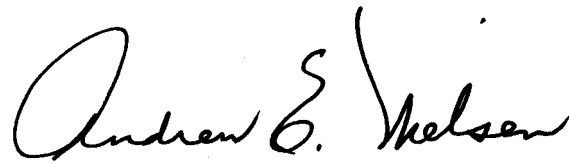
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KCCK-FM Radio  
A Public Telecommunications Entity  
Operated by Kirkwood Community College

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Beth A. Wichtendahl, CPA, Staff 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 a distinct 'E'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State