

KCSM-TV

**A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE SAN MATEO COUNTY
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

JUNE 30, 2012

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
Statement of Net Assets	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS.....	5
INDEPENDENT AUDITORS' 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	10



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
KCSM-TV

We have audited the accompanying financial statements of KCSM-TV (a public telecommunications entity operated by the San Mateo County Community College District) as of June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Organization'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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the KCSM-TV resource of the general fund of the San Mateo County Community College District and do not purport to, and do not, present fairly the financial position of the San Mateo County Community College District as of June 30, 2012, and the changes in its financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KCSM-TV as of June 30, 2012, and the changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of KCSM-TV'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 financial 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2012

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 617,883
Due from district	201
Total current assets	<u>618,084</u>

Noncurrent assets

Capital assets	7,542,885
Accumulated depreciation	(4,812,008)
Total noncurrent assets	<u>2,730,877</u>
TOTAL ASSETS	<u>3,348,961</u>

LIABILITIES

Current Liabilities

Due to district	679
Accounts payable	21,104
Total liabilities	<u>21,783</u>

NET ASSETS

Investment in capital assets	2,730,877
Unrestricted	596,301
TOTAL NET ASSETS	<u>\$ 3,327,178</u>

The accompanying notes are an integral part of these financial statements.

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

Direct Income	
CPB community service grants	\$ 713,127
CPB television interconnection grants	13,871
Business and industry	8,650
Subscription and membership	316,464
Royalties	25,979
Other income	366
Indirect Support	
San Mateo County Community College District	360,105
Total Operating Revenues	<u>1,438,562</u>

OPERATING EXPENSES

Programming and production	376,826
Broadcasting	1,075,451
Program information and promotion	71,397
Management and general	1,232,890
Fundraising support	126,955
Underwriting and grant solicitation	51,745
Total Operating Expenses	<u>2,935,264</u>
Operating Loss	<u>(1,496,702)</u>

OTHER INCOME

Transfer in from district	<u>600,000</u>
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CHANGE IN NET ASSETS	(896,702)
NET ASSETS AT BEGINNING OF YEAR	4,223,880
NET ASSETS AT END OF YEAR	<u>\$ 3,327,178</u>

The accompanying notes are an integral part of these financial statements.

KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

CPB community service grants	\$ 713,127
CPB television interconnection grants	13,871
Business and industry	28,110
Subscription and membership	316,464
District support	360,583
Royalties	25,979
Other income	366
Payments to suppliers	(969,235)
Payment to /(on behalf of) employees	(1,333,096)
Net Cash Used By Operating Activities	<u>(843,831)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer in from District	<u>600,000</u>
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CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Loss on disposal of equipment	<u>7,442</u>
Net Cash Provided By Capital Financing Activities	<u>7,442</u>

NET CHANGE IN CASH

(236,389)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

854,272

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 617,883

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,496,702)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	649,851
Changes in assets and liabilities	
Decrease in accounts receivable	19,460
Increase in due from other funds	(201)
Increase in due to district	679
Decrease in accounts payable	(16,918)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (843,831)</u></u>

NONCASH TRANSACTIONS

Indirect support - San Mateo Community College District	<u><u>\$ 360,105</u></u>
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The accompanying notes are an integral part of these financial statements.

**KCSM-TV
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCSM-TV is a public telecommunications radio station operated by San Mateo County Community College District. KCSM-TV is a program of the San Mateo County Community College District general fund, and all activities are also reported within the financial statements of the District.

These financial statements are not intended to, and do not purport to, present fairly the financial position and changes in the financial position of the San Mateo County Community College District in compliance with accounting principles generally accepted in the United States of America.

Basis of Accounting

The KCSM-TV financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

KCSM-TV operates as a proprietary resource within the general fund; it uses an enterprise fund format to report its activities for financial statement purposes. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses, including depreciation, of providing goods or services to its customers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. KCSM-TV is not an entity separate from the College District and, therefore, does not present a Management Discussion and Analysis section.

The Enterprise format accounts for activities similar to those in the private sector, where the proper matching of revenues and costs is important and the full accrual basis of accounting is required. With this measurement focus, all assets and all liabilities of the enterprise are recorded on its statement of net assets, all revenues are recognized when earned and all expenses, including depreciation, are recognized when incurred.

For internal operating purposes, the District's Board of Trustees has established separate sub-funds, each of which includes a separate self-balancing set of accounts and a separate Board approved budget for the activities of KCSM-TV. These sub-funds are combined into the single enterprise fund format when presented in the accompanying financial statements.

The District's Board of Trustees adopts annual budgets on a basis consistent with accounting principles generally accepted in the United States of America.

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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Capital Assets

KCSM-TV records assets purchased at cost. The value of donated goods is recorded when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. KCSM-TV maintains a capitalization threshold of \$5,000. KCSM-TV depreciates all equipment using the straight-line method of depreciation over the estimated useful life of the related assets, ranging from 5 to 20 years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows

For purposes of the statement of cash flows, KCSM-TV considers all investments with a maturity of six months or less to be cash equivalents.

Income Taxes

KCSM-TV is a program of San Mateo County Community College District. San Mateo County Community College District is a public educational institution and is considered to be a political subdivision of the State of California and is therefore tax exempt and not subject to filing information returns.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as a governmental fund investment in the amount of \$617,883. Cash accounts maintained by KCSM-TV are held by San Mateo County Community College District in pooled amounts at the San Mateo County Treasury.

Policies and Practices

KCSM - TV is authorized through the District under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Investment in County Treasury – KCSM – TV and the District are considered to be involuntary participants in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the entity's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. KCSM-TV and the District manage exposure to interest rate risk by depositing funds with the San Mateo County Treasury. KCSM-TV's share of deposits with the County Treasury was \$617,883. The weighted average maturity of the San Mateo pooled investments at June 30, 2012, was approximately 1.6 years.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – CAPITAL ASSETS

Changes in equipment are summarized as follows:

	Beginning of Year	Additions	Deletions	End of Year
Equipment	\$ 7,706,314	\$ -	\$ 163,429	\$ 7,542,885
Less - Accumulated Depreciation	<u>4,318,144</u>	<u>649,851</u>	<u>155,987</u>	<u>4,812,008</u>
Net Equipment	<u>\$ 3,388,170</u>	<u>\$ (649,851)</u>	<u>\$ 7,442</u>	<u>\$ 2,730,877</u>

Current year depreciation expense was \$649,851 and is included in management and general expenses.

NOTE 4 - DONATED SERVICES

During the year, many KCSM-TV individuals donate significant amounts of time and services in an effort to advance the programs and objectives of the station. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services.

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year, KCSM-TV received indirect administrative support in the amount of \$360,105 from San Mateo County Community College District. In addition, the District transferred to KCSM-TV in the amount of \$600,000 to support the operating costs.

NOTE 6 – SUBSEQUENT EVENT

The District continues in seeking Request for Proposal for qualified companies to purchase the assets of and take assignment of the Federal Communications Commission noncommercial educational license for KCSM-TV.

INDEPENDENT AUDITORS' REPORT



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

**INDEPENDENT AUDITORS' 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***

Governing Board
KCSM-TV
San Mateo, California

We have audited the financial statements of KCSM - TV resource of the general fund of San Mateo County Community College District as of and for the year ended June 30, 2012, which comprises the KCSM - TV basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

Management of San Mateo County Community College District is responsible for the establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KCSM-TV's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KCSM-TV's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the KCSM-TV's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCSM-TV's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Chancellor's Office, Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vavinek, Time, Day & Co., LLP

Pleasanton, California
December 10, 2012

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