

**KAWC-AM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
**ARIZONA WESTERN COLLEGE**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**KAWC-AM RADIO  
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY  
ARIZONA WESTERN COLLEGE  
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## INDEPENDENT AUDITORS' REPORT

The District Governing Board  
Yuma/LaPaz County Community College District  
Arizona Western College  
Yuma, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KAWC-AM Radio (Station), a public telecommunications entity operated by Arizona Western College (District), as of and for the years ended June 30, 2015 and 2014, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 financial position of KAWC-AM Radio as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1, the financial statements of KAWC-AM Radio are intended to present the financial position, the changes in the financial position, and the cash flows of only that portion of Arizona Western College that is attributable to the transactions of KAWC-AM Radio. They do not purport to, and do not, present fairly the financial position of Arizona Western College, as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows 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**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 8, 2016

**KAWC-AM RADIO  
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY  
ARIZONA WESTERN COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 AND 2014**

This discussion and analysis introduces the basic financial statements and provides an overview of KAWC-AM Radio's (the Station's) financial activities for the fiscal year ended June 30, 2015 and June 30, 2014. Please read it in conjunction with the financial statements, which immediately follow.

**Basic Financial Statements:**

The Station's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The Statement of Net Position reflects the financial position of the Station at June 30, 2015. It shows the various assets, owned or controlled, related liabilities and other obligations, and the various categories of net position. Net position is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the Station. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of operations and other changes for the year ended June 30, 2015. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net position amount to the ending net position amount, which is shown on the Statement of Net Position described above.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2015. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Position described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses and Changes in Net Position described above.

The primary focus of this document is on the results of activity for the fiscal year ended June 30, 2015. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes which illustrates where the Station's financial performance may have changed.

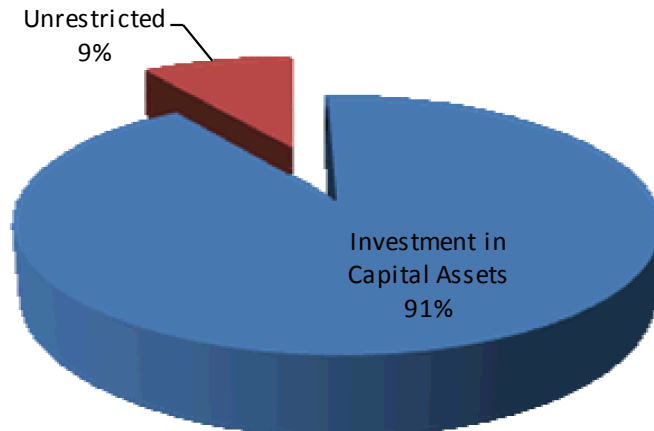
**KAWC-AM RADIO**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015 AND 2014**

**Condensed Financial Statements:**

Condensed Statement of Net Position  
As of June 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets:</b>			
Current Assets	\$ 34,118	\$ 66,131	\$ 52,212
Capital Assets, Net	237,121	183,765	179,176
<b>Total Assets</b>	<u>271,239</u>	<u>249,896</u>	<u>231,388</u>
<b>Current Liabilities:</b>			
Accounts Payable	6,582	3,463	11,104
Accrued Liabilities	-	-	667
Unearned Revenue	2,829	6,239	4,367
<b>Total Current Liabilities</b>	<u>9,411</u>	<u>9,702</u>	<u>16,138</u>
<b>Net Position:</b>			
Investment in Capital Assets	237,121	183,765	179,176
Unrestricted	24,707	56,429	36,074
<b>Total Net Position</b>	<u>\$ 261,828</u>	<u>\$ 240,194</u>	<u>\$ 215,250</u>

**Percent of Net Position for 2015**

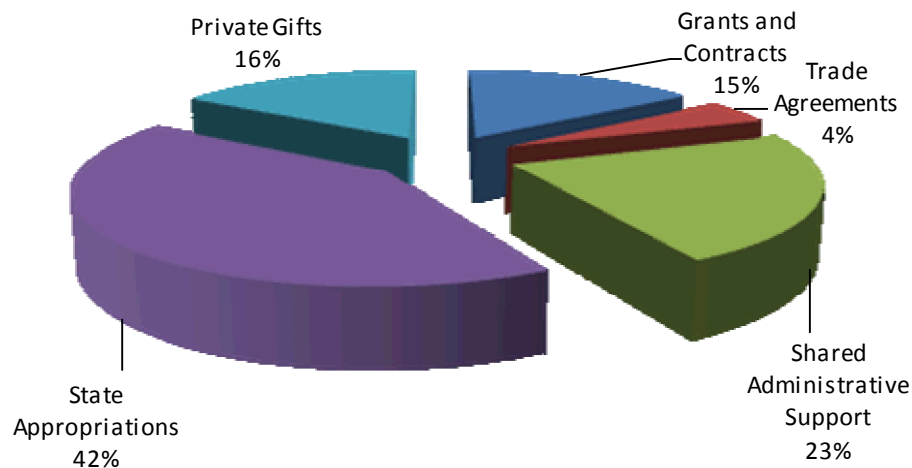


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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015 AND 2014**

Condensed Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30

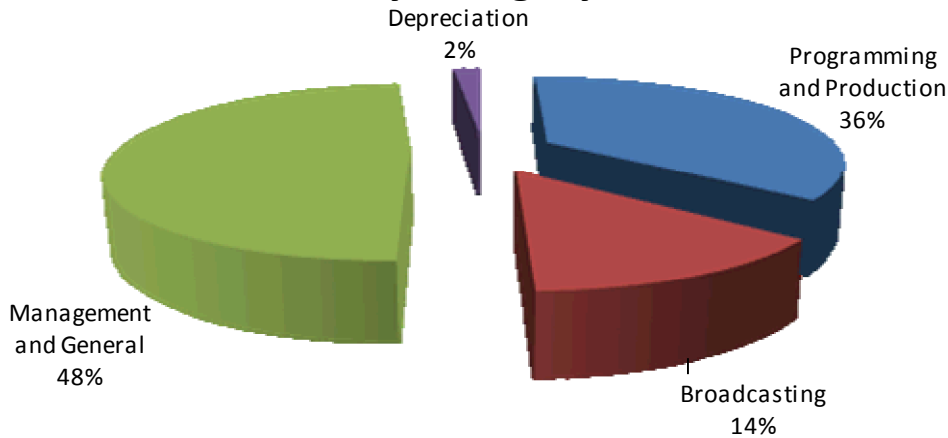
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>			
Operating:			
Grants and Contracts	\$ 156,946	\$ 160,234	\$ 102,083
Trade Agreements	44,760	63,835	61,842
Shared Administrative Support	233,248	243,618	209,995
Nonoperating:			
State Appropriations	428,310	410,371	379,443
Private Gifts	164,245	117,060	111,486
Total Revenues	<u>1,027,509</u>	<u>995,118</u>	<u>864,849</u>
<b>Expenses</b>			
Operating:			
Education and General:			
Programming and Production	361,316	357,555	357,830
Broadcasting	138,030	99,977	67,632
Management and General	488,926	499,391	459,231
Depreciation	17,603	13,251	11,467
Total Expenses	<u>1,005,875</u>	<u>970,174</u>	<u>896,160</u>
Increase (Decrease) in Net Position	21,634	24,944	(31,311)
Net Position, Beginning of Year	<u>240,194</u>	<u>215,250</u>	<u>246,561</u>
Net Position, End of Year	<u>\$ 261,828</u>	<u>\$ 240,194</u>	<u>\$ 215,250</u>

**Percent of 2015 Revenues by Source**



**KAWC-AM RADIO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 AND 2014**

**Percent of 2015 Operating Expenses  
by Category**



**Financial Highlights and Analysis:**

**Statement of Net Position**

The Station's overall financial position increased in FY 2015. Total Net Position increased \$21.6 thousand from FY 2014 to FY 2015. This increase is primarily due to the costs associated with two infrastructure changes: installation of our new transmitter and antenna at Telegraph Pass (doubling the reach of our signal) and the replacement of our analog audio consoles with a new digital audio over IP network.

This fiscal year KAWC continues to see improvement in our underwriting program. Our development team achieved a second consecutive year of above-goal sales for the fiscal year. Our direct listener support continues to be strong with a large number of listeners responding positively to our appeal for "sustaining" pledges that are charged monthly and automatically renew.

The Station's financial position remains strong with adequate resources to meet all current obligations.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 AND 2014**

**Statement of Revenues, Expenses, and Changes in Net Position**

The Station has five major revenue sources. These are private gifts, grants and contracts, trade agreements, state appropriations and shared administrative support.

Total revenues for the Station increased \$32.4 thousand from FY 2014 to FY 2015. The following revenue sources make up the total increase.

- Decrease of \$3,288 in grants and contracts from FY 2014 to FY 2015.
- Decrease of \$19,075 in trade agreements.
- Decrease of \$10,370 thousand in support from Arizona Western College.
- Increase of \$17,939 in State Appropriations.
- Increase of \$47,185 in private gifts.

Total expenses increased \$35.7 thousand from FY 2014 to FY 2015. The following expense categories make up the total increase.

- Increase of \$3,760 thousand in program & production.
- Increase of \$38,053 in broadcasting.
- Decrease of \$10,465 in management & general.
- Increase of \$4,352 in depreciation.

Capital Assets Administration:

The Station's capital assets as of June 30, 2015 totaled \$237,121 (net of accumulated depreciation). Capital assets include antenna, buildings, and equipment. The net change in the Station's capital assets for the current year was 29.0% increase due primarily to the construction of a new transmitter at Telegraph Pass, serving both East and West Yuma County, and replacement of the Station's analog audio consoles with a new digital Audio over IP network. Additional information on capital assets can be found in detail in Note 2 to the Station's basic financial statements.

Current Factors Having Probable Future Financial Significance:

KAWC-AM 's signal expansion project using a leased management agreement (LMA) serving four markets in northern and western Arizona continues to show financial benefits in FY 2015. The number of listeners and listener donations is increasing. The completion of the new transmitter on Telegraph Pass has improved our service in East Yuma County, and should help us build audience and support in that region. Work to raise awareness of our service in Parker, Arizona is also expected to grow listener donations and possible underwriting in that region.

While a change in our Nielsen ratings has cost us our Minority Audience Serving Station bonus from the CPB, the expansion to East Yuma County has qualified KAWC for a grant increase through the Rural Audience Service Station Support program. The expansion of KAWC's News Team with the addition of a full time Arizona Science Desk Reporter will cause an increase in expenses, but it is expected that grant funding to support the effort and increased listener contributions because of the improved local coverage will make the change sustainable.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015 AND 2014**

This discussion and analysis is designed to provide a general overview of the KAWC-AM Radio's finances for all those with an interest in such matters. Questions concerning any of the information provided in these financial statements or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, P.O. Box 929, Yuma, Arizona 85366.

**KAWC-AM RADIO**  
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**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 34,118	\$ 64,991
Prepaid Items	-	1,140
Total Current Assets	34,118	66,131
<b>NONCURRENT ASSETS</b>		
Capital Assets (Net)	237,121	183,765
Total Assets	271,239	249,896
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	6,582	3,463
Unearned Revenue	2,829	6,239
Total Current Assets	9,411	9,702
<b>NET POSITION</b>		
Investment in Capital Assets	237,121	183,765
Unrestricted	24,707	56,429
Total Net Position	\$ 261,828	\$ 240,194

See accompanying Notes to Basic Financial Statements.

**KAWC-AM RADIO**  
**A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY**  
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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>REVENUES</b>		
Operating Revenues:		
Grants and Contracts	\$ 156,946	\$ 160,234
Trade Agreements	44,760	63,835
Shared Administrative Support	233,248	243,618
Total Operating Revenues	434,954	467,687
<b>EXPENSES</b>		
Operating Expenses:		
Educational and General:		
Programming and Production	361,316	357,555
Broadcasting	138,030	99,977
Management and General	488,926	499,391
Depreciation	17,603	13,251
Total Operating Expenses	1,005,875	970,174
Operating Loss	(570,921)	(502,487)
<b>NONOPERATING REVENUES</b>		
State Appropriations	428,310	410,371
Private Gifts	164,245	117,060
Total Nonoperating Revenues	592,555	527,431
<b>CHANGE IN NET POSITION</b>	21,634	24,944
Net Position - Beginning of Year	240,194	215,250
<b>NET POSITION - END OF YEAR</b>	\$ 261,828	\$ 240,194

See accompanying Notes to Basic Financial Statements.

**KAWC-AM RADIO**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Private Grants and Contracts	\$ 201,706	\$ 160,234
Payments to Employees	(422,896)	(398,779)
Payments to Suppliers	(564,527)	(501,885)
Other Receipts	233,248	243,618
Net Cash Used by Operating Activities	(552,469)	(496,812)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts and Grants Received for Other than Capital Purposes	164,245	117,060
Other Nonoperating Receipts	428,310	410,371
Net Cash Provided by Noncapital Financing Activities	592,555	527,431
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(70,959)	(17,840)
Net Cash Used by Capital and Related Financing Activities	(70,959)	(17,840)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(30,873)	12,779
Cash and Equivalents - Beginning of Year	64,991	52,212
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	\$ 34,118	\$ 64,991
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (570,921)	\$ (502,487)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	17,603	13,251
Change in Assets and Liabilities:		
Prepaid Items	1,140	(1,140)
Accrued Liabilities	-	(667)
Accounts Payable	3,119	(7,641)
Unearned Revenues	(3,410)	1,872
Net Cash Used by Operating Activities	\$ (552,469)	\$ (496,812)

See accompanying Notes to Basic Financial Statements.

**KAWC-AM RADIO  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of KAWC-AM Radio (the Station) conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the Station's more significant accounting policies follows.

**A. Reporting Entity**

The Station is a departmental operation, not a component unit, of the Yuma/LaPaz County Community College District (District) in Yuma, Arizona, under a license granted by the Federal Communications Commission. The District provides administrative and other financial support to the Station. The Station's financial statements include those portions of the District's Restricted Fund for which the Station has financial accountability. Financial accountability for the Station remains with the District.

**B. Basic Financial Statements**

The basic financial statements (i.e. the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the nonfiduciary activities of the Station. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Station had no governmental activities or component units during the fiscal year.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The basic 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 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.

The Station distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection the Station's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Trade agreements, other than agreements with the District, are recognized as revenue at the estimated fair market value at the date of the agreement.

When both restricted and unrestricted resources are available for use, it is the Station's policy to use restricted resources first, then unrestricted resources as they are needed.

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Position**

**1. Cash and Cash Equivalents**

The Station's cash and cash equivalents are considered to be cash on hand, demand deposits and cash held by Bank of America.

**2. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the basic financial statements. Capital assets are defined by the Station as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Antenna	10 years
Buildings	15-40 years
Equipment	5 years

**3. Net Position**

In the basic financial statements, net position is reported in three categories: net position invested in capital assets; restricted net position; and unrestricted net position. Net position invested in capital assets is separately reported because the capital assets make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the Station. Unrestricted net position is the remaining net position not included in the previous two categories.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Cash and Cash Equivalents**

Cash and cash equivalents at June 30, 2015 consist of the following:

**Deposits** - At June 30, 2015 and 2014, the Station's deposits were \$34,118 and \$64,991, respectively. The Station does not have a formal policy with respect to custodial risk for deposits.

**2. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$ 307,031	\$ 70,959	\$ -	\$ 377,990
Buildings	195,789	-	-	195,789
Total	<u>502,820</u>	<u>70,959</u>	<u>-</u>	<u>573,779</u>
Less Accumulated Depreciation:				
Equipment	282,345	12,708	-	295,053
Buildings	36,710	4,895	-	41,605
Total Accumulated Depreciation	<u>319,055</u>	<u>17,603</u>	<u>-</u>	<u>336,658</u>
Capital Assets, Net	<u>\$ 183,765</u>	<u>\$ 53,356</u>	<u>\$ -</u>	<u>\$ 237,121</u>

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Equipment	\$ 289,191	\$ 17,840	\$ -	\$ 307,031
Buildings	195,789	-	-	195,789
Total	<u>484,980</u>	<u>17,840</u>	<u>-</u>	<u>502,820</u>
Less Accumulated Depreciation:				
Equipment	273,989	8,356	-	282,345
Buildings	31,815	4,895	-	36,710
Total Accumulated Depreciation	<u>305,804</u>	<u>13,251</u>	<u>-</u>	<u>319,055</u>
Capital Assets, Net	<u>\$ 179,176</u>	<u>\$ 4,589</u>	<u>\$ -</u>	<u>\$ 183,765</u>