



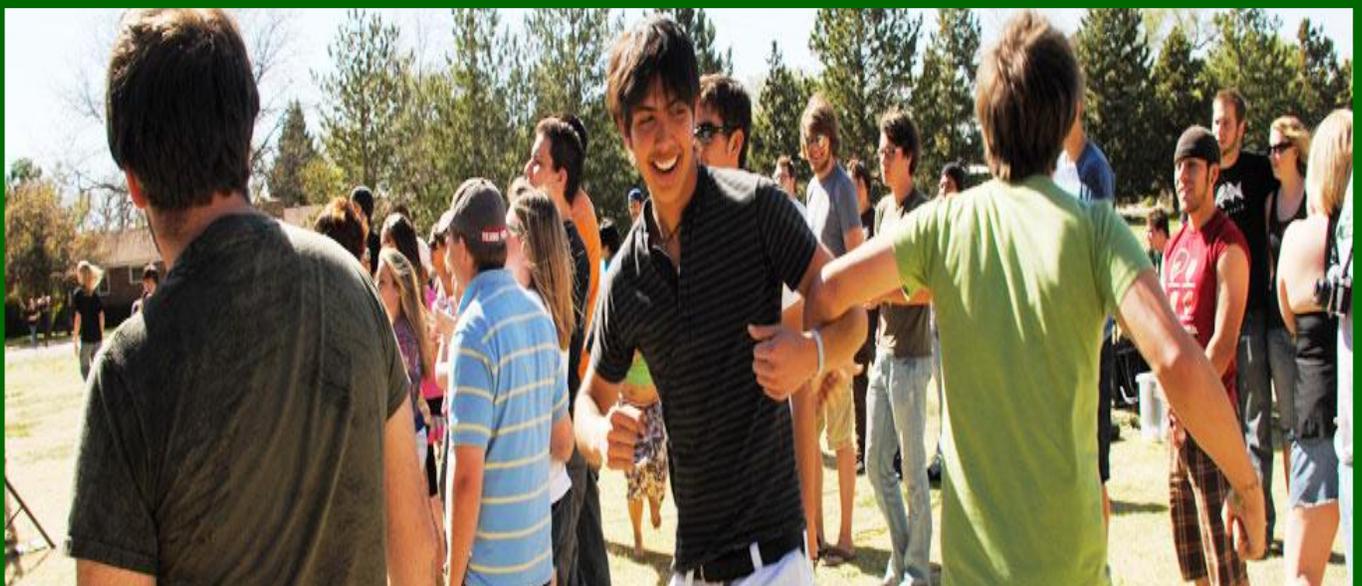
# **KENW-TV**

**A Department of Eastern New Mexico University**

**Financial Statements**

**With Independent Auditor's Report Thereon**

**June 30, 2012 and 2011**





**KENW-TV**  
**A Department of Eastern New Mexico University**  
**Financial Statements**  
**With Independent Auditor's Report Thereon**  
**June 30, 2012 and 2011**



## **INTRODUCTORY SECTION**

**KENW-TV**  
A Department of Eastern New Mexico University  
Table of Contents  
June 30, 2012 and 2011

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	4
Board of Regents and University Officials .....	5
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report .....	9-10
Management’s Discussion and Analysis .....	11-15
Basic Financial Statements:	
Statement of Net Assets .....	16
Statement of Revenues, Expenses, and Changes in Net Assets .....	17
Statement of Cash Flows .....	18
Notes to Financial Statements .....	19-24
Schedule of Budgeted and Actual Expenditures .....	25
<b>COMPLIANCE SECTION</b>	
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 .....	29-30

**KENW-TV**  
A Department of Eastern New Mexico University  
Board of Regents and University Officials  
June 30, 2012

**Ex-Officio Members**

The Honorable Susana Martinez

Governor of the State of New Mexico

**Appointed Members**

**Term Expires**

Mr. Randy Harris	2014	President
Mr. Brett Leach	2016	Vice President
Ms. Santana Chavez	2012	Secretary
Mr. Marshall Stinnett	2012	Member
Mr. Robert "Chad" Lydick	2014	Member

**University Officials**

Dr. Steven Gamble	President
Dr. Jamie Laurenz	Vice President for Academic Affairs
Dr. John Madden	President - Roswell Campus
Dr. Clayton Alred	President - Ruidoso Campus
Dr. Judith Haislett	Vice President for Student Affairs
Mr. Scott Smart	Vice President for Business Affairs
Ms. Ronnie Birdsong	Vice President for University Relations and Enrollment Services

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor and  
the Board of Regents  
Eastern New Mexico University  
Portales, New Mexico

We have audited the accompanying basic financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), as of and for the year ended June 30, 2012, and the budgetary comparison, as listed in the table of contents. These financial statements are the responsibility of the management of KENW-TV. 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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 described in Note 1, the financial statements of KENW-TV are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Eastern New Mexico University that is attributable to the transactions of KENW-TV. They do not purport to, and do not, present fairly the financial position of Eastern New Mexico University as of June 30, 2012, and the changes in its financial position or its cash flows 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 respective financial position of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) as of June 30, 2012, and the changes in its financial position and its cash flows 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 October 22, 2012, on our consideration of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 11 through 15 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 regarding 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), and the budgetary comparison. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
October 22, 2012

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

This section of the financial report presents our discussion and analysis of KENW TV's (the "Station"), a public telecommunications entity operated by Eastern New Mexico University (the "University") financial performance during the year ended June 30, 2012. Please read it in conjunction with the Station's financial statements, which follow this section.

The Station is located on the campus of Eastern New Mexico University. KENW-TV broadcasts a wide variety of programs, which includes instructional programs for primary, secondary, and college level students. For the general public, there are "How-to" programs that provide instruction in many arts and crafts areas as well as the full Public Broadcasting System schedule of outstanding public television programs.

**Financial Highlights**

- ♦ At June 30, 2012 and 2011 the Station's total assets were \$3,103,854 and \$3,583,487, respectively. During the year, net assets decreased by \$407,975 from \$3,079,732 in 2011 to \$2,671,756 in 2012.
- ♦ Total current liabilities for 2012 were \$432,098. These liabilities are comprised of accrued compensated absences of \$68,455, other payables of \$21,979, and deferred revenue of \$341,664. This is a \$71,657 decrease from last year's current liabilities of \$503,755.
- ♦ Operating revenues totaled \$1,625,46 for 2012 while operating expenses totaled \$3,042,968. Non operating revenues were \$1,009,587. For 2011, operating revenues totaled \$2,535,157 while operating expenses totaled \$4,162,831. Non operating revenues were \$1,869,284. State appropriations are the main component of non operating revenues.

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Overview of Financial Statements**

This annual report consists of the following:

- ◆ Management's discussion and analysis (this section)
- ◆ The basic financial statements
- ◆ Supplementary information—budgetary comparison

***The Station's Basic Financial Statements***

The basic financial statements include:

- ◆ The statement of net assets provides information about the Station's financial condition at fiscal year-end. It presents both a current year synopsis and longer-term view of the Station's assets, liabilities and net assets.
- ◆ The statement of revenues, expenses and changes in net assets should be used to review the results of the current year's operations.
- ◆ The statement of cash flows provides a summary of the sources and uses of cash within the Station during the year.
- ◆ Footnote information provides additional detail on the Station's overall accounting practices and individual statement line items, including a "natural classification" report of operating expenses.

Additional information may be obtained by contacting the Vice President of Business Affairs, Scott W. Smart, at (575) 562-2611.

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**Financial Analysis of the Station as a Whole**

*Net Assets.* The Station's total net assets decreased from \$3,079,732 in 2011 to \$2,671,756 in 2012 as a result of expenses exceeding revenues. Table 1 summarizes the Station's net assets:

**Table 1**  
**Eastern New Mexico KENW's Net Assets**  
**As of June 30, 2012 and 2011**  
**(in thousands of dollars)**

	2012	2011
Current assets	\$ 1,791	\$ 1,855
Capital assets, net	1,313	1,728
<b>Total assets</b>	<b>3,104</b>	<b>3,583</b>
Current liabilities	432	504
<b>Total liabilities</b>	<b>432</b>	<b>504</b>
Net assets		
Capital assets, net of related debt	1,313	1,728
Unrestricted	1,359	1,352
<b>Total net assets</b>	<b>\$ 2,672</b>	<b>\$ 3,080</b>

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

*Changes in Net Assets.* Total operating revenues for the years ended June 30, 2012 and 2011, were \$1,625,406 and \$2,535,157 compared with operating expenses of \$3,042,968 and \$4,162,831 respectively. The revenue and operating expense decreases were due primarily to the non-recurring revenues and expenses from the Sprint project in the prior year and from the ITV program being phased out. Table 2 summarizes the Station's changes in net assets for the years:

**Table 2**  
**Changes in Eastern New Mexico KENW's Net Assets**  
**For the Years Ended June 30, 2012 and 2011**  
(in thousands of dollars)

	2012	2011
<b>Revenues</b>		
<b>Operating</b>		
Private grants and contracts	\$ 827	\$ 686
Other	798	1,849
<b>Total operating revenues</b>	1,625	2,535
<b>Non-operating</b>		
State appropriation	969	1,034
Other state revenue	1	13
Investment income	2	194
Sprint/Nextel in-kind equipment	38	628
<b>Total non operating revenues</b>	1,010	1,869
<b>Total Revenues</b>	\$ 2,635	\$ 4,404
<b>Expenses</b>		
<b>Operating</b>		
Program services	\$ 2,236	\$ 3,208
Supporting services	807	955
<b>Total operating expenses</b>	3,043	4,163
Increase (decrease) in net assets	\$ (408)	\$ 241

***Budgetary Highlights***

The Board of Regents approves the operating budget of the Station. The budget is reviewed and amended as needed due to changing circumstances. The budget is prepared using the basis of accounting prior to implementation on GASB Statement No.'s 34 and 35. Accordingly, budgets are adopted for unrestricted current funds, restricted current funds and plant funds. During the year, there were no expenditure budget amendments.

**KENW-TV**  
A Department of Eastern New Mexico University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012

***Capital Assets***

*Capital Assets*—As of June 30, 2012 and 2011, the Station had \$1,312,801 and \$1,728,143, respectively, invested in broadcasting and production equipment.

***Economic Factors and Next Year's Budget***

The Corporation for Public Broadcasting receives much of its funding from the federal government, which, in turn, distributes to member stations. Funding for the 2012-2013 fiscal year is expected to be approximately the same as for 2011-2012. Funding from the state appropriation is also expected to remain the same for 2012-2013, however it is difficult to predict actual funding amounts for future years.

***Contacting the Station's Financial Management***

The financial report is designed to provide the public, customers, and creditors with a general overview of the Station's finances and demonstrate the Station's accountability for the money it receives. If you have any questions about this report contact the Station's Comptroller at the University Offices:

Eastern New Mexico University  
Business Affairs Station #4  
Portales, NM 88130

**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Net Assets  
June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current Assets		
Grants receivable	\$ 3,261	\$ 1,400
Due from Eastern New Mexico University	1,787,792	1,853,944
Noncurrent Assets		
Capital assets, net	1,312,801	1,728,143
Total assets	3,103,854	\$ 3,583,487
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accrued compensated absences	\$ 68,455	\$ 67,874
Other payables	21,979	11,687
Deferred revenue	341,664	424,194
Total liabilities	432,098	503,755
Net assets		
Net assets invested in capital assets	1,312,801	1,728,143
Unrestricted net assets	1,358,955	1,351,589
Total net assets	2,671,756	3,079,732
Total liabilities and net assets	\$ 3,103,854	\$ 3,583,487

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Operating Revenues		
Subscriptions and memberships	\$ 129,252	\$ 120,949
Administrative support from the University	402,243	548,632
Community service grant	826,689	685,643
Other sources	267,222	1,179,933
Total operating revenues	1,625,406	2,535,157
<b>EXPENSES</b>		
Operating Expenses		
Program services		
Local programming and production	1,414,148	1,671,230
Broadcasting	734,471	1,460,456
Program information	87,685	75,956
Supporting services		
Fundraising and membership development	134,860	153,995
Management and general	671,804	801,194
Total operating expenses	3,042,968	4,162,831
Operating gain (loss)	(1,417,562)	(1,627,674)
<b>OTHER REVENUES (EXPENSES)</b>		
Nonoperating Revenues (Expenses)		
State appropriations	968,600	1,034,299
Santa Fe Archiving	739	13,097
Federal RUS grant	-	(145)
Investment income (loss)	1,648	194,109
Infrastructure fee	38,600	-
Sprint/Nextel in-kind equipment	-	627,924
Total nonoperating revenues (expenses)	1,009,587	1,869,284
Increase (decrease) in net assets	(407,975)	241,610
Net assets, beginning of year	3,079,731	2,838,122
<b>NET ASSETS, end of year</b>	<b>\$ 2,671,756</b>	<b>\$ 3,079,732</b>

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Statements of Cash Flows  
For the Years Ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from subscriptions, members, and grants	\$ 1,542,876	\$ 2,713,216
Cash paid to suppliers	(2,496,488)	(3,937,938)
Net cash provided (used) by operating activities	(953,612)	(1,224,722)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	968,600	1,034,300
Other receipts	39,339	12,953
Net cash provided (used) by noncapital financing activities	1,007,939	1,047,253
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(55,975)	(16,640)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and appreciation (depreciation) on investments	1,648	194,109
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (1,417,562)	\$ (1,627,674)
Adjustment to reconcile net income to net cash provided (used) by operating activities		
Depreciation	471,317	626,238
Changes in assets and liabilities		
Other receivables	64,290	(395,866)
Other payables	10,292	(5,480)
Accrued compensated absences	580	-
Deferred revenue	(82,529)	178,060
Net cash provided (used) by operating activities	\$ (953,612)	\$ (1,224,722)

The accompanying notes are an integral part of these financial statements

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, to disseminate educational and cultural TV programs to the public. The Station is part of the University; however these financial statements include only the financial information related to the Station and do not include other financial information of the University.

This summary of significant accounting policies of KENW-TV is presented to assist in the understanding of the department's financial statements. The financial statements and notes are the representation of KENW-TV's management who is responsible for the integrity and objectivity.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements, subject to the same limitation. KENW-TV has elected not to follow subsequent FASB guidance. The more significant accounting and reporting principles and practices used by KENW-TV are described below.

*A. Financial Reporting Entity*

KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, to disseminate educational and cultural TV programs to the public. KENW-TV is part of the University; however these financial statements include only the financial information related to the Station and do not include other financial information of the University.

In evaluating how to define KENW-TV for financial reporting purposes, Management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of the ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, KENW-TV does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

B. *Basis of Presentation*

The Station's accounting policies conform with generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB) including all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statement and Management's Discussion and Analysis – for State and Local Governments*, and GASB 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

C. *Basis of Accounting*

The Station's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenue and expenses are those incurred which relate directly to the primary operations of the Station, including programming, production, and broadcasting services. All other revenue and expenses are considered nonoperating.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. *Deposits and Investments*

KENW-TV does not maintain any accounts that are considered cash, cash equivalents or investments.

E. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

F. *Capital Assets*

Capital assets are recorded at cost or, in the case of donated assets, at their fair market value at the date of receipts and are depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over five to twelve years estimated useful lives. The Station's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year.

G. *In-kind Contributions*

Donated facilities from the University consist of office and studio space together with related occupancy costs and are recorded in revenue and expense based on the allocable portion of original cost of the building and an estimated useful life, in accordance with instructions of the Corporation for Public Broadcasting.

Administrative support from the University consists of allocated finance department costs and certain other expenses incurred by the University on behalf of the Station.

H. *Due from Eastern New Mexico University*

This account classification includes certain cash accounts that the station has a claim on but is maintained in University accounts. Also included in this account classification are amounts due from the University to the Station.

I. *Grants Receivable*

Grants receivable represents the unfunded portion of awards earned by the Station. Management believes these amounts to be fully collectible and, therefore, has provided no allowance for doubtful grant accounts as of June 30, 2012. Grants receivable at June 30, 2012 and 2011 is \$3,261 and \$1,400, respectively.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. *Deferred Revenue*

Deferred revenue represents cash advances received from third parties, which have eligibility requirements. The deferred revenue will be recognized as revenue once all eligibility requirements have been met.

K. *Net Assets*

Net assets are classified into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in Capital Assets* - This component of net assets consists of capital assets, net of accumulated depreciation.
- *Restricted* - This component of net assets consists of funds on which external restrictions have been imposed that limit the purpose for which such funds can be used. The Station has no restricted net assets at June 30, 2012 and 2011.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

L. *Budgetary Policy*

The budget is established within the University's public service function of its current funds. The University may allocate funds between different departments or line items within the public service function without approval from the Budget Division of the State of New Mexico Department of Finance and Administration provided the total approved budget for the public service function is not exceeded. Budgets, as presented, are used as a management tool and represent the approved budgets for functional expenditures only, excluding capital outlay.

M. *Use of Estimates*

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

N. *Income Taxes*

As an instrumentality of the State of New Mexico, the income generated by Eastern New Mexico University in the exercise of its essential governmental functions is excluded

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

N. *Income Taxes (continued)*

from federal income tax under Internal Revenue Code (IRC) Section 115. However, income generated from activities unrelated to the exempt purpose of Eastern New Mexico University would be subject to tax under IRC Section 511(a)(2)(B).

**NOTE 2: CAPITAL ASSETS**

A summary of changes in capital assets are as follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Equipment	\$ 10,176,709	\$ 55,975	\$ -	\$ 10,232,684
Accumulated depreciation	<u>(8,448,566)</u>	<u>(471,317)</u>	<u>-</u>	<u>(8,919,883)</u>
<b>Net capital assets</b>	<u>\$ 1,728,143</u>	<u>\$ (415,342)</u>	<u>\$ -</u>	<u>\$ 1,312,801</u>

	<u>Balance at June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Equipment	\$ 9,532,145	\$ 644,564	\$ -	\$ 10,176,709
Accumulated depreciation	<u>(7,822,328)</u>	<u>(626,238)</u>	<u>-</u>	<u>(8,448,566)</u>
<b>Net capital assets</b>	<u>\$ 1,709,817</u>	<u>\$ 18,326</u>	<u>\$ -</u>	<u>\$ 1,728,143</u>

Depreciation expense of \$417,317 and \$626,238 was charged to local programming and production for the years ended June 30, 2012 and 2011.

**NOTE 3: INTERFUND TRANSACTIONS**

KENW-TV administrative support is based on an allocation of actual indirect costs from ENMU, and the related expense of \$518,447 and \$548,632 for 2012 and 2011, respectively, is included in management and general expense. This method of reporting indirect costs conforms to CPB guidelines.

**KENW-TV**  
A Department of Eastern New Mexico University  
Notes to Financial Statements  
June 30, 2012

**NOTE 4: CONTINGENCIES**

*Insurance Coverage.* The Station is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions and natural disasters. The Station is insured under the Eastern New Mexico University's Risk Management for liability and casualty insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 5: STATE AND PRIVATE GRANTS**

KENW-TV participates in state assisted grant programs. The disbursements of funds received under these programs require compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of KENW-TV. In the opinion of management, however, any such disallowed claims will not have a material effect on the financial statements of KENW-TV as of and for the year ended June 30, 2012.

**KENW-TV**  
A Department of Eastern New Mexico University  
Schedule of Budgeted and Actual Expenditures  
June 30, 2012

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive/ (Negative)</b>
Program services			
Local programming and production	\$ 1,513,864	\$ 1,414,148	\$ 99,716
Broadcasting	969,949	734,471	235,478
Program information	88,587	87,685	902
	<u>2,572,400</u>	<u>2,236,304</u>	<u>336,096</u>
Supporting services			
Fundraising and membership development	139,245	134,860	4,385
Management and general	672,288	671,804	484
	<u>811,533</u>	<u>806,664</u>	<u>4,869</u>
Total expenses	<u>\$ 3,383,933</u>	<u>\$ 3,042,968</u>	<u>\$ 340,965</u>

The accompanying notes are an integral part of these financial statements

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## **COMPLIANCE SECTION**

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Accounting & Consulting Group, LLP  
Certified Public Accountants

**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**

Hector H. Balderas  
New Mexico State Auditor and  
the Board of Regents  
Eastern New Mexico University  
Portales, New Mexico

We have audited the basic financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 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 KENW-TV is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station'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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 Board of Regents, the audit committee, management, the New Mexico Legislature, Department of Finance and Administration and the State of New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Accounting + Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Roswell, New Mexico  
October 22, 2012



