



Accounting & Consulting Group, LLP

Certified Public Accountants

KENW-TV

A Department of Eastern New Mexico University

Financial Statements
With Independent Auditor's report Thereon

June 30, 2013 and 2012

KENW-TV

A Department of Eastern New Mexico University

**Financial Statements
With Independent Auditor's Report Thereon**

June 30, 2013 and 2012

INTRODUCTORY SECTION

KENW-TV
A Department of Eastern New Mexico University
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June 30, 2013 and 2012

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KENW-TV
A Department of Eastern New Mexico University
Board of Regents and University Officials
June 30, 2013

Ex-Officio Members

The Honorable Susana Martinez

Governor of the State of New Mexico

Appointed Members

Term Expires

Mr. Brett Leach	2016	President
Ms. Jane Christensen	2018	Vice President
Mr. Chase Sturdevant	2014	Secretary
Mr. Robert "Chad" Lydick	2014	Member
Mr. Randy Harris	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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Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University), and the budgetary comparison, as of and for the year ended June 30, 2013, and the related notes to the 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 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 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 KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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.

Opinions

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, 2013, and the respective changes in its financial position and its cash flows thereof and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 11-14 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.

Other Information

As described in Note 1, the financial statements of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) 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 (a department of and a public broadcasting entity operated by Eastern New Mexico University). They do not purport to, and do not, present fairly the financial position of Eastern New Mexico University as of June 30, 2013, 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.

Our audit was conducted for the purpose of forming an opinion on KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) financial statements and 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, 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* in considering KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
October 29, 2013

KENW-TV
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. 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, 2013 and 2012 the Station's total assets were \$2,688,680 and \$3,103,854, respectively. During the year, net assets decreased by \$269,699 from \$2,671,756 in 2012 to \$2,402,057 in 2013.
- ◆ Total current liabilities for 2013 were \$286,623. These liabilities are comprised of accrued compensated absences of \$84,911, other payables of \$16,615, and deferred revenue of \$185,097. This is a \$145,475 decrease from last year's current liabilities of \$432,098.
- ◆ Operating revenues totaled \$1,625,855 for 2013 while operating expenses totaled \$3,042,044. Non operating revenues were \$1,146,490. For 2012, operating revenues totaled \$1,625,406 while operating expenses totaled \$3,042,968. Non operating revenues were \$1,009,587. State appropriations are the main component of non operating revenues.

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 position 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 position 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, 2013

Financial Analysis of the Station as a Whole

Net Position. The Station's total net position decreased from \$2,671,756 in 2012 to \$2,402,057 in 2013 as a result of expenses exceeding revenues. Table 1 summarizes the Station's net assets:

Table 1
Eastern New Mexico KENW's Net Position
As of June 30, 2013 and 2012
(in thousands of dollars)

	2013	2012
Current assets	\$ 1,696	\$ 1,791
Capital assets, net	993	1,313
Total assets	2,689	3,104
Current liabilities	287	432
Total liabilities	287	432
Net position		
Net investment in capital assets	993	1,313
Unrestricted	1,409	1,359
Total net position	\$ 2,402	\$ 2,672

KENW-TV
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Changes in Net Position. Total operating revenues for the years ended June 30, 2013 and 2012, were \$1,625,855 and \$1,625,406 compared with operating expenses of \$3,042,044 and \$3,042,968, respectively. The increase in non-operating revenues was a result of a slight increase in state appropriations and a significant increase in investment income due to a rebound in the financial markets. Table 2 summarizes the Station's changes in net position for the years:

Table 2
Changes in Eastern New Mexico KENW's Net Position
For the Years Ended June 30, 2013 and 2012
(in thousands of dollars)

	2013	2012
Revenues		
Operating		
Private grants and contracts	\$ 755	\$ 827
Other	871	798
Total operating revenues	1,626	1,625
Non-operating		
State appropriation	982	969
Other state revenue	2	1
Investment income	124	2
Sprint/Nextel in-kind equipment	38	38
Total non-operating revenues	1,146	1,010
Total Revenues	2,772	2,635
Expenses		
Operating		
Program services	2,242	2,236
Supporting services	800	807
Total operating expenses	3,042	3,043
Increase (decrease) in net position	\$ (270)	\$ (408)

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 of 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.

Capital Assets

Capital Assets—As of June 30, 2013 and 2012, the Station had \$992,983 and \$1,312,801, respectively, invested in broadcasting and production equipment.

KENW-TV
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 2013-2014 fiscal year is expected to be approximately the same as for 2012-2013. Funding from the state appropriation is also expected to remain the same for 2013-2014, 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:

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

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KENW-TV
A Department of Eastern New Mexico University
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Grants receivable	\$ 9,312	\$ 3,261
Due from Eastern New Mexico University	1,686,385	1,787,792
Noncurrent assets		
Capital assets, net	992,983	1,312,801
Total assets	\$ 2,688,680	\$ 3,103,854
Liabilities and net position		
Current liabilities		
Accrued compensated absences	\$ 84,911	\$ 68,455
Other payables	16,615	21,979
Deferred revenue	185,097	341,664
Total liabilities	286,623	432,098
Net positions		
Net investment in capital assets	992,983	1,312,801
Unrestricted net position	1,409,074	1,358,955
Total net position	2,402,057	2,671,756
Total liabilities and net position	\$ 2,688,680	\$ 3,103,854

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 Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
Revenues		
Operating revenues		
Subscriptions and memberships	\$ 136,581	\$ 129,252
Administrative support from the University	414,672	402,243
Community service grant	754,819	826,689
PBS WARN grant	36,086	-
Other sources	283,697	267,222
Total operating revenues	1,625,855	1,625,406
Expenses		
Operating expenses		
Program services		
Local programming and production	1,256,825	1,414,148
Broadcasting	883,257	734,471
Program information	101,535	87,685
Supporting services		
Fundraising and membership development	117,427	134,860
Management and general	683,000	671,804
Total operating expenses	3,042,044	3,042,968
Operating income (loss)	(1,416,189)	(1,417,562)
Other revenues (expenses)		
State appropriations	982,200	968,600
Santa Fe archiving	1,573	739
Investment income (loss)	124,117	1,648
Infrastructure fee	38,600	38,600
Total other revenues (expenses)	1,146,490	1,009,587
Increase (decrease) in net position	(269,699)	(407,975)
Net position, beginning of year	2,671,756	3,079,731
Net position, end of year	\$ 2,402,057	\$ 2,671,756

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, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Cash from subscriptions, members, and grants	\$ 1,469,288	\$ 1,542,876
Cash paid to suppliers	(2,569,283)	(2,496,488)
Net cash provided (used) by operating activities	(1,099,995)	(953,612)
Cash flows from noncapital financing activities		
State appropriations	982,200	968,600
Other receipts	40,174	39,339
Net cash provided (used) by noncapital financing activities	1,022,374	1,007,939
Cash flows from capital and related financing activities		
Purchases of capital assets	(46,496)	(55,975)
Cash flows from investing activities		
Interest and appreciation (depreciation) on investments	124,117	1,648
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,416,189)	\$ (1,417,562)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	366,314	471,317
Changes in assets and liabilities		
Other receivables	95,356	64,290
Other payables	(5,365)	10,292
Accrued compensated absences	16,456	580
Deferred revenue	(156,567)	(82,529)
Net cash provided (used) by operating activities	\$ (1,099,995)	\$ (953,612)

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, 2013

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, operates 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.

During the year ended June 30, 2013, the University adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63 and 65. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements addresses issues related to service concession arrangements. The University does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows and inflows of resources. GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 Statements No. 14 amended by GASB Statements No. 39 and No. 61. 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 government-wide 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, 2013

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 this 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 is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate 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, No. 39, or No. 61.

B. *Basis of Presentation*

The Station's accounting policies conform with generally accepted accounting principles as prescribed by the Governmental 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 No. 34, *Basic Financial Statement 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 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.

D. *Deposits and Investments*

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

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2013

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

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 receipt 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, 2013. Grants receivable at June 30, 2013 and 2012 is \$9,312 and \$3,261, respectively.

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.

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2013

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

K. *Net Position*

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

- *Net Investment in Capital Assets* - This component of net position consists of capital assets, net of accumulated depreciation.
- *Restricted* - This component of net position 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 position at June 30, 2013 and 2012.
- *Unrestricted* - This component of net position consists of net positions that does not meet the definition of "restricted" or "net investment 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 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).

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2013

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Equipment	\$ 10,232,684	\$ 46,496	\$ -	\$ 10,279,180
Accumulated depreciation	(8,919,883)	(366,314)	-	(9,286,197)
Net capital assets	\$ 1,312,801	\$ (319,818)	\$ -	\$ 992,983

	Balance at June 30, 2011	Additions	Deletions	Balance at June 30, 2012
Equipment	\$ 10,176,709	\$ 55,975	\$ -	\$ 10,232,684
Accumulated depreciation	(8,448,566)	(471,317)	-	(8,919,883)
Net capital assets	\$ 1,728,143	\$ (415,342)	\$ -	\$ 1,312,801

Depreciation expense of \$366,314 and \$471,317 was charged to local programming and production for the years ended June 30, 2013 and 2012.

NOTE 3: INTERFUND TRANSACTIONS

KENW-TV administrative support is based on an allocation of actual indirect costs from ENMU, and the related expense of \$414,672 and \$402,243 for 2013 and 2012, respectively, is included in management and general expense. This method of reporting indirect costs conforms to CPB guidelines.

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, 2013.

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KENW-TV
A Department of Eastern New Mexico University
Schedule of Budgeted and Actual Expenses
June 30, 2013

	Original and Final Budget	Actual	Variance Positive/ (Negative)
Program services			
Local programming and production	\$ 1,211,909	\$ 1,256,825	\$ (44,916)
Broadcasting	1,152,241	883,257	268,984
Program information	68,003	101,535	(33,532)
Total program services	<u>2,432,153</u>	<u>2,241,617</u>	<u>190,536</u>
Supporting services			
Fundraising and membership development	107,476	117,427	(9,951)
Management and general	<u>677,275</u>	<u>683,000</u>	<u>(5,725)</u>
Total supporting services	<u>784,751</u>	<u>800,427</u>	<u>(15,676)</u>
Total expenses	<u>\$ 3,216,904</u>	<u>\$ 3,042,044</u>	<u>\$ 174,860</u>

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION

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**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, in accordance with the 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, the financial statements and the budgetary comparison 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, 2013, and the related notes to the financial statements, which collectively comprise KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control. Accordingly, we do not express an opinion on the effectiveness of the KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control.

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 KENW-TV's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KENW-TV's (a department of and a public broadcasting entity operated by Eastern New Mexico University) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
October 29, 2013

