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KENW-FM

***A Department of Eastern New
Mexico University***

Financial Statements

***With Independent Auditors'
Report Thereon***

June 30, 2015 and June 30, 2014

Accounting & Consulting Group, LLP
400 N. Pennsylvania Suite 800
Roswell, New Mexico 88201

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KENW-FM
A Department of Eastern New Mexico University
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June 30, 2015 and 2014

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller
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-FM (a department of and a public broadcasting entity operated by Eastern New Mexico University), and the budgetary comparisons, as of and for the years ended June 30, 2015 and 2014, 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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KENW-FM (a department of and a public broadcasting entity operated by Eastern New Mexico University) as of June 30, 2015 and 2014, and the respective changes in its financial position and its cash flows thereof and the budgetary comparisons for the years 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-FM (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-FM (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, 2015 and 2014, and the changes in its financial position or its cash flows for the years 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-FM'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 27, 2015, on our consideration of KENW-FM'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-FM'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 27, 2015

KENW-FM
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2015

This section of the financial report presents our discussion and analysis of KENW FM's (the "Station"), a public telecommunications entity operated by Eastern New Mexico University (the "University") financial performance during the year ended June 30, 2015. 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-FM broadcasts programs from National Public Radio, American Public Media, as well as local presentations and programs from other public radio stations in New Mexico and around the nation. KENW-FM is thus able to serve listeners with a wide variety of programming, including news and information, classical music and opera, as well as beautiful music, jazz, and folk music from around the world.

Financial Highlights

- ◆ At June 30, 2015 and 2014, the Station's total assets were \$372,940 and \$504,015 respectively. During the year, net position decreased by \$122,290 from \$440,552 to \$318,262.
- ◆ Total current liabilities for 2015 were \$54,678. These liabilities are comprised of accounts payable of \$2,872, deferred revenues of \$49,891, and accrued leave of \$1,915. This is an \$8,785 decrease from last years' current liabilities of \$63,463.
- ◆ Operating revenues totaled \$470,435 for 2015 while operating expenses totaled \$592,725. Community Service Grants of \$131,629 from the Corporation of Public Broadcasting and Membership and Underwriting of \$72,778 are the main components of operating revenues. For 2014, operating revenues totaled \$551,040 while operating expenses totaled \$598,428. The main components of operating revenues were Community Service Grants of \$213,150 from the Corporation of Public Broadcasting and Membership and Underwriting of \$82,278.

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-FM
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Financial Analysis of the Station as a Whole

Net Positions. The Station's total net position decreased from \$440,552 in 2014 to \$318,262 in 2015. Table 1 summarizes the Station's net position:

Table 1
Eastern New Mexico KENW's Net Position
As of June 30, 2015 and 2014
(in thousands of dollars)

	2015	2014
Current assets	\$268	\$ 340
Capital assets, net	105	164
Total assets	373	504
Current liabilities	55	63
Total liabilities	55	63
Net positions		
Net investment in capital assets	105	164
Unrestricted	213	277
Total net position	\$ 318	\$ 441

KENW-FM
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Financial Analysis of the Station as a Whole (continued)

Changes in Net Position. Total operating revenues for the years ended June 30, 2015 and 2014, were \$470,435 and \$551,040 compared with operating expenses of \$592,725 and \$598,428, respectively. Decreases in membership and underwriting and use of unrestricted fund balance, rather than CSG funding, to pay NPR Programming expense resulted in a decrease in operating revenues. The loss of Minority Incentive Eligibility, based on a determination by the Corporation for Public Broadcasting, resulted in a loss of approximately one third of the Community Service Grant funding for the period 10/01/14 to 9/30/16. Management will resume efforts with the Corporation for Public Broadcasting to re-establish the Minority Incentive Eligibility funding. Table 2 summarizes the Station's changes in net assets for the years:

Table 2
Changes in Eastern New Mexico KENW's Net Position
For the Years Ended June 30, 2015 and 2014

(in thousands of dollars)

	2015	2014
Revenues		
Operating		
Subscriptions and memberships	\$ 52	\$ 60
Grants and contracts	132	213
Other	286	278
Total operating revenues	\$ 470	\$ 551
Expenses		
Operating		
Program services	\$ 526	\$ 534
Supporting services	66	64
Total operating expenses	592	598
Increase (decrease) in net position	\$ (122)	\$ (47)

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 was a budget increase of \$52,486 to cover Programming Costs from unrestricted funds that are normally paid from monies received from the Corporation for Public Broadcasting. This was done in order to take advantage of a 1 percent discount offered prior to the receipt of funds from CPB.

Capital Assets

Capital Assets—As of June 30, 2015 and 2014, the Station had \$104,638 and \$164,106 respectively, invested in broadcasting and production equipment.

KENW-FM
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 2015-2016 fiscal year is expected to be approximately the same as for 2014-2015. The amount of the Rural Support Grant, which was \$23,690 for 2014-2015, can change from year to year depending on station eligibility. 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 University's Controller at the University Offices:

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

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KENW-FM
A Department of Eastern New Mexico University
Statements of Net Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Due from Eastern New Mexico University	\$ 265,424	\$ 336,079
Receivables	2,877	3,830
Noncurrent assets		
Capital assets, net	104,638	164,106
Total assets	\$ 372,939	\$ 504,015
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 2,872	\$ 2,967
Unearned revenue	49,891	60,496
Accrued compensated absences	1,915	-
Total liabilities	54,678	63,463
Net position		
Net investment in capital assets	104,638	164,106
Unrestricted net position	213,623	276,446
Total net position	318,261	440,552
Total liabilities and net position	\$ 372,939	\$ 504,015

The accompanying notes are an integral part of these financial statements

KENW-FM
A Department of Eastern New Mexico University
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Operating revenues		
Subscriptions and memberships	\$ 51,762	\$ 60,075
Administrative support from the University	64,618	62,872
Community service grant	131,629	213,150
Other sources	222,426	214,943
Total operating revenues	470,435	551,040
Expenses		
Operating expenses		
Program services		
Local programming and production	320,511	305,618
Broadcasting	205,803	228,132
Supporting services		
Fundraising and membership development	1,794	1,805
Management and general	64,618	62,872
Total operating expenses	592,726	598,427
Increase (decrease) in net position	(122,291)	(47,387)
Net position, beginning of year	440,552	487,939
Net position, end of year	\$ 318,261	\$ 440,552

The accompanying notes are an integral part of these financial statements

KENW-FM
A Department of Eastern New Mexico University
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash from subscriptions, members, and grants	\$ 318,150	\$ 381,304
Cash paid to suppliers	(318,150)	(348,672)
Net cash provided (used) by operating activities	-	32,632
Cash flows from capital and related financing activities		
Purchases of capital assets	-	(32,632)
Net cash provided (used) by capital and related financing activities	-	(32,632)
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Reconciliation of increase (decrease) in net positions to net cash provided (used) by operating activities		
Increase (decrease) in net position	\$ (122,291)	\$ (47,387)
Adjustments to reconcile increase (decrease) in net position to net cash provided (used) by operating activities		
Depreciation	59,468	81,354
Changes in assets and liabilities		
Receivables, net	71,608	30,905
Unearned revenue	(10,605)	(30,022)
Accounts payable	(95)	(2,218)
Accrued compensated absences	1,915	-
Net cash provided (used) by operating activities	\$ -	\$ 32,632

The accompanying notes are an integral part of these financial statements

KENW-FM
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2015

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

KENW-FM (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, operates to disseminate educational and cultural radio 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-FM is presented to assist in the understanding of the department's financial statements. The financial statements and notes are the representation of KENW-FM's management who is responsible for the integrity and objectivity.

A. *Financial Reporting Entity*

KENW-FM (a department of and a public broadcasting entity operated by Eastern New Mexico University) in Portales, New Mexico, operates to disseminate educational and cultural radio programs to the public. KENW-FM 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-FM 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.

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-FM 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. The financial statements have been prepared in accordance with GASB No. Statement 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*.

KENW-FM
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2015

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

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

D. *Deposits and Investments*

KENW-FM 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 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 are maintained in University accounts. Also included in this account classification are amounts due from the University to the Station.

I. *Unearned Revenue*

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

KENW-FM
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2015

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

J. *Net Position*

Net position is classified into three components: net investment in capital assets; 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, 2015 and 2014.
- *Unrestricted* - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

K. *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.

L. *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.

M. *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 IRS Section 511(a)(2)(B).

KENW-FM
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2015

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Equipment	\$ 1,165,248	\$ -	\$ -	\$ 1,165,248
Accumulated depreciation	(1,001,142)	(59,468)	-	(1,060,610)
Net capital assets	\$ 164,106	\$ (59,468)	\$ -	\$ 104,638

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Equipment	\$ 1,190,439	\$ 32,632	\$ (57,823)	\$ 1,165,248
Accumulated depreciation	(977,611)	(81,354)	57,823	(1,001,142)
Net capital assets	\$ 212,828	\$ (48,722)	\$ -	\$ 164,106

Depreciation expense of \$59,468 and \$81,354 was charged to local programming and production for the years ended June 30, 2015 and 2014, respectively.

NOTE 3: INTERFUND TRANSACTIONS

KENW-FM administrative support is based on an allocation of actual indirect costs from the University, and the related expense of \$64,618 and \$62,872 for 2015 and 2014 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-FM 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-FM. In the opinion of management, however, any such disallowed claims will not have a material effect on the financial statements of KENW-FM as of and for the year ended June 30, 2015.

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KENW-FM
A Department of Eastern New Mexico University
Schedule of Budgeted and Actual Expenses
For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Program services			
Local programming and production	\$ 323,482	\$ 320,511	\$ 2,971
Broadcasting	200,415	205,803	(5,388)
Total program services	<u>523,897</u>	<u>526,314</u>	<u>(2,417)</u>
Supporting services			
Fundraising and membership development	1,000	1,794	(794)
Management and general	64,618	64,618	-
Total supporting services	<u>65,618</u>	<u>66,412</u>	<u>(794)</u>
Total expenses	<u>\$ 589,515</u>	<u>\$ 592,726</u>	<u>\$ (3,211)</u>

The accompanying notes are an integral part of these financial statements

KENW-FM
A Department of Eastern New Mexico University
Schedule of Budgeted and Actual Expenses
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Program services			
Local programming and production	\$ 373,387	\$ 305,618	\$ 67,769
Broadcasting	<u>257,907</u>	<u>228,132</u>	<u>29,775</u>
Total program services	<u>631,294</u>	<u>533,750</u>	<u>97,544</u>
Supporting services			
Fundraising and membership development	1,000	1,805	(805)
Management and general	<u>62,872</u>	<u>62,872</u>	<u>-</u>
Total supporting services	<u>63,872</u>	<u>64,677</u>	<u>(805)</u>
Total expenses	<u>\$ 695,166</u>	<u>\$ 598,427</u>	<u>\$ 96,739</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**

Timothy Keller
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 comparisons of KENW-FM (a department of and a public broadcasting entity operated by Eastern New Mexico University), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise KENW-FM'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 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the KENW-FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 KENW-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of the KENW-FM's 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 entity'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-FM'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-FM'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-FM'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 27, 2015