



KENW-TV

A Department of Eastern New Mexico University

Financial Statements
With Independent Auditors' Report

June 30, 2016 and 2015



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KENW-TV
A Department of Eastern New Mexico University
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June 30, 2016 and 2015

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KENW-TV
 A Department of Eastern New Mexico University
 Board of Regents and University Officials
 June 30, 2016

Board of Regents

Ex-Officio Members

The Honorable Susana Martinez	Governor of the State of New Mexico
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Appointed Members

Term Expires

Mr. Terry Othick	2020	President
Ms. Susan Tatum	2020	Vice President
Ms. Veronica Ayala	2016	Treasurer/Secretary
Ms. Jane Christensen	2018	Member
Mr. Dan Patterson	2016	Member

University Officials

Dr. Steven Gamble	President
Dr. John Madden	President- Roswell Campus
Dr. Clayton Alred	President- Ruidoso Campus
Dr. Jeff Long	Vice President for Student Affairs
Mr. Scott Smart	Vice President for Business Affairs
Dr. Jamie Laurenz	Vice President for Academic Affairs
Mr. Clark Elswick	Vice President for Technology and System Chief Information Officer

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FINANCIAL SECTION

Independent Auditors' Report

Timothy Keller
New Mexico State Auditor
To 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 comparisons, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's 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 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 KENW-TV's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

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, 2016 and 2015, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KENW-TV (a department of and a public broadcasting entity operated by Eastern New Mexico University) as of June 30, 2016 and 2015, and the changes in financial position and 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 10-13 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.

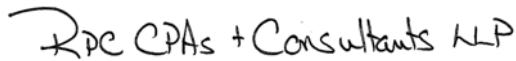
Other Information

Our audit was conducted for the purpose of forming an opinion on KENW-TV's 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 25, 2016 on our consideration of KENW-TV's 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 internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
October 25, 2016

KENW TV
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Years Ended June 30, 2016 and 2015

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, 2016. 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 programs for primary, secondary, and college level students, as well as for the general public. There are also "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, 2016 and 2015 the Station's total assets were \$2,495,816 and \$2,638,137 respectively. During the year, net position decreased by \$161,279 from \$2,386,427 in 2015 to \$2,225,148 in 2016.
- ◆ Total current liabilities for 2016 were \$270,668. These liabilities are comprised of accrued compensated absences of \$73,804, other payables of \$5,687, and unearned revenue of \$191,177. This is an \$18,958 increase from last year's current liabilities of \$251,710.
- ◆ Operating revenues totaled \$1,643,409 for 2016 while operating expenses totaled \$2,996,227. Non-operating revenues were \$1,191,539. For 2015, operating revenues totaled \$1,605,556, while operating expenses totaled \$3,113,485. Non-operating revenues were \$1,226,560. 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
- ◆ Required supplementary information—budgetary comparison schedule

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 position.
- ◆ 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 Years Ended June 30, 2016 and 2015

Financial Analysis of the Station as a Whole

Net Position. The Station's total net position decreased \$161,279 from \$2,386,427 in 2015 to \$2,225,148 in 2016. Table 1 summarizes the Station's net position:

Table 1
Eastern New Mexico KENW's Net Position
As of June 30, 2016 and 2015
(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Current assets	\$1,959	\$1,939
Capital assets, net	<u>537</u>	<u>699</u>
Total assets	<u>2,496</u>	<u>2,638</u>
Current liabilities	<u>271</u>	<u>252</u>
Total liabilities	<u>271</u>	<u>252</u>
Net Position		
Capital assets, net of related debt	537	699
Unrestricted	<u>1,688</u>	<u>1,687</u>
Total net position	<u>\$2,225</u>	<u>\$2,386</u>

Changes in Net Position. Total operating revenues for the years ended June 30, 2016 and 2015, were \$1,643,409 and \$1,605,556 compared with operating expenses of \$2,996,227 and \$3,113,485, respectively. The decrease in non-operating revenue was due to a decrease in income on investments and a slight decrease in state appropriation.

KENW TV
A Department of Eastern New Mexico University
Management's Discussion and Analysis
For the Years Ended June 30, 2016 and 2015

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, 2016 and 2015
(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Revenues		
Operating		
Private grants and contracts	\$ 786	\$ 845
Other	<u>857</u>	<u>760</u>
Total operating revenues	1,643	1,605
Non-Operating		
State appropriation	1,106	1,113
Other state revenue	-	1
Investment income	8	35
Other revenue	<u>78</u>	<u>78</u>
Total non-operating revenues	1,192	1,227
Total Revenues	\$ 2,835	\$ 2,832
Expenses		
Operating		
Program services	2,204	2,291
Supporting services	<u>792</u>	<u>822</u>
Total operating expenses	<u>2,996</u>	<u>3,113</u>
Decrease in net position	<u>\$ (161)</u>	<u>\$ (281)</u>

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 program and supporting services. During the year, there were no expenditure budget amendments.

Capital Assets

As of June 30, 2016 and 2015, the Station had \$537,180 and \$699,502, 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, 2016

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 2016-2017 fiscal year is expected to be approximately the same as for 2015-2016. Funding from the state appropriation is also expected to remain the same for 2016-2017; 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 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-TV
A Department of Eastern New Mexico University
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Grants receivable	\$ 49,696	\$ -
Membership and pledges receivable	20,064	11,591
Miscellaneous receivables	5,837	-
Due from Eastern New Mexico University	1,883,039	1,927,044
Total current assets	1,958,636	1,938,635
Noncurrent assets		
Capital assets, net (Note 2)	537,180	699,502
Total assets	\$ 2,495,816	\$ 2,638,137
Liabilities and net position		
Current liabilities		
Accrued compensated absences	\$ 73,804	\$ 83,533
Other payables	5,687	5,195
Unearned revenue	191,177	162,982
Total current liabilities	270,668	251,710
Net position		
Net investment in capital assets	537,180	699,502
Unrestricted net position	1,687,968	1,686,925
Total net position	2,225,148	2,386,427
Total liabilities and net position	\$ 2,495,816	\$ 2,638,137

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues		
Operating revenues		
Subscriptions and memberships	\$ 118,774	\$ 113,656
Administrative support from the University	420,811	425,688
Community service grant	785,601	845,379
Public Broadcasting Service Warning, Alert and Response Network grant	68,749	-
Other sources	249,474	220,833
Total operating revenues	<u>1,643,409</u>	<u>1,605,556</u>
Expenses		
Operating expenses		
Program services		
Local programming and production	1,196,165	1,255,281
Broadcasting	906,262	930,560
Program information	102,168	105,053
Supporting services		
Fundraising and membership development	121,463	120,468
Management and general	670,169	702,123
Total operating expenses	<u>2,996,227</u>	<u>3,113,485</u>
Operating loss	<u>(1,352,818)</u>	<u>(1,507,929)</u>
Other revenues (expenses)		
State appropriations	1,105,900	1,112,600
Santa Fe archiving	-	542
Investment income	7,639	35,418
Infrastructure fee	78,000	78,000
Total other revenues (expenses)	<u>1,191,539</u>	<u>1,226,560</u>
Decrease in net position	(161,279)	(281,369)
Net position, beginning of year	2,386,427	2,526,179
Restatement (Note 6)	<u>-</u>	<u>141,617</u>
Net position, end of year	<u>\$ 2,225,148</u>	<u>\$ 2,386,427</u>

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, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Cash from subscriptions, members, and grants	\$ 1,671,604	\$ 1,524,014
Cash paid to suppliers	<u>(2,791,067)</u>	<u>(2,738,105)</u>
Net cash used by operating activities	<u>(1,119,463)</u>	<u>(1,214,091)</u>
Cash flows from noncapital financing activities		
State appropriations	1,105,900	1,112,600
Other receipts	<u>78,000</u>	<u>78,542</u>
Net cash provided by noncapital financing activities	<u>1,183,900</u>	<u>1,191,142</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	<u>(72,076)</u>	<u>(12,469)</u>
Net cash used by capital and related financing activities	<u>(72,076)</u>	<u>(12,469)</u>
Cash flows from investing activities		
Interest and appreciation (depreciation) on investments	<u>7,639</u>	<u>35,418</u>
Net cash provided by investing activities	<u>7,639</u>	<u>35,418</u>
Net change in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ (1,352,818)	\$ (1,507,929)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	234,398	347,701
Changes in assets and liabilities		
Other receivables	(20,001)	90,156
Other payables	492	(64,473)
Accrued compensated absences	(9,729)	1,996
Unearned revenue	<u>28,195</u>	<u>(81,542)</u>
Net cash used by operating activities	<u><u>\$ (1,119,463)</u></u>	<u><u>\$ (1,214,091)</u></u>

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, 2016

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.

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.

Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entities financial statements to be misleading or incomplete. In addition, component units can be organizations that raise and hold economic resources for the direct benefit of a primary unit. Because of the closeness of their relationships with the primary organization, some component units are blended as though they are part of the primary organization. KENW-TV was incorporated by Eastern New Mexico University. KENW-TV is a blended component unit of the University and is presented and reported upon as a part of the basic financial statements of the University.

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.

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2016

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

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 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.

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. Information technology equipment including software is being capitalized in accordance with 2.20.1.9(C)(5) NMAC [9-30-99, recompiled 10/01/01].

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.

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2016

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

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, 2016. There were grants receivable of \$49,696 at June 30, 2016 and none for 2015.

J. *Membership and pledges receivable*

Membership receivable at June 30, 2016 and 2015 is \$20,064 and \$11,591, respectively. Management believes these amounts to be fully collectible and therefore, has provided no allowance for doubtful membership and pledge accounts as of June 30, 2016.

K. *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.

L. *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, 2016 and 2015.
- *Unrestricted* - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

M. *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.

N. *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.

O. *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, 2016

NOTE 2: CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance at June 30, 2015	Additions	Deletions	Restatement	Balance at June 30, 2016
Equipment	\$ 9,741,202	\$ 72,076	\$ (64,258)	\$ -	\$ 9,749,020
Accumulated depreciation	(9,041,700)	(234,398)	64,258	-	(9,211,840)
Net capital assets	\$ 699,502	\$ (162,322)	\$ -	\$ -	\$ 537,180

	Balance at June 30, 2014	Additions	Deletions	Restatement	Balance at June 30, 2015
Equipment	\$ 9,558,793	\$ 12,469	\$ -	\$ 169,940	\$ 9,741,202
Accumulated depreciation	(8,665,676)	(347,701)	-	(28,323)	(9,041,700)
Net capital assets	\$ 893,117	\$ (335,232)	\$ -	\$ 141,617	\$ 699,502

Depreciation expense of \$234,398 and \$347,701 was charged to local programming and production for the years ended June 30, 2016 and 2015.

NOTE 3: INTERFUND TRANSACTIONS

KENW-TV administrative support is based on an allocation of actual indirect costs from ENMU, and the related expense of \$420,811 and \$425,688 for 2016 and 2015, 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, 2016.

NOTE 6: RESTATEMENT

A restatement was necessary during the year ended June 30, 2015 to record fixed assets and depreciataion previously not recorded. The restatement increased accumulated depreciation by \$28,323, increased fixed assets by \$169,940 and increased net position by \$141,617 at June 30, 2015.

KENW-TV
A Department of Eastern New Mexico University
Notes to Financial Statements
June 30, 2016

NOTE 7: SUBSEQUENT EVENTS

KENW-TV has evaluated events subsequent to June 30, 2016 that would possibly require adjustment or disclosure in these financial statements, through October 25, 2016, the date that these statements were available to be issued. There were no events identified that requires adjustment or disclosure as of June 30, 2016.

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KENW-TV
A Department of Eastern New Mexico University
Schedule of Budgeted and Actual Expenses
For the Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>
Program services			
Local programming and production	\$ 1,333,061	\$ 1,196,165	\$ 136,896
Broadcasting	950,050	906,262	43,788
Program information	98,499	102,168	(3,669)
	<u>2,381,610</u>	<u>2,204,595</u>	<u>177,015</u>
 Supporting services			
Fundraising and membership development	130,975	121,463	9,512
Management and general	691,153	670,169	20,984
	<u>822,128</u>	<u>791,632</u>	<u>30,496</u>
 Total expenses	<u>\$ 3,203,738</u>	<u>\$ 2,996,227</u>	<u>\$ 207,511</u>

The accompanying notes are an integral part of these financial statements

KENW-TV
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	\$ 1,273,930	\$ 1,255,281	\$ 18,649
Broadcasting	1,021,759	930,560	91,199
Program information	98,218	105,053	(6,835)
	<u>2,393,907</u>	<u>2,290,894</u>	<u>103,013</u>
Supporting services			
Fundraising and membership development	117,813	120,468	(2,655)
Management and general	708,033	702,123	5,910
	<u>825,846</u>	<u>822,591</u>	<u>3,255</u>
Total expenses	<u>\$ 3,219,753</u>	<u>\$ 3,113,485</u>	<u>\$ 106,268</u>

The accompanying notes are an integral part of these financial statements

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COMPLIANCE SECTION

**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**

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The Board of Regents of
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 budgetary comparisons 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, 2016, and the related notes to the financial statements, which collectively comprise KENW-TV's basic financial statements and have issued our report thereon dated October 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the KENW-TV'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the KENW-TV's internal control. Accordingly, we do not express an opinion on the effectiveness of the KENW-TV'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.

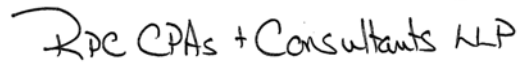
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the KENW-TV's 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 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
October 25, 2016