

KAWC-AM RADIO

A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY

ARIZONA WESTERN COLLEGE

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
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JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of KAWC-AM Radio (Station), a public telecommunications entity operated by Arizona Western College (District), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Station's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only KAWC-AM Radio and do not purport to, and do not, present fairly the financial position of Arizona Western College, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of KAWC-AM Radio as of June 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Station has not presented Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

October 18, 2007

Basic Financial Statements

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 128,313 |
| Pledges receivable | 4,141 |
| Total current assets | <u>132,454</u> |

Noncurrent Assets:

| | |
|-------------------------|----------------|
| Capital assets (net) | 232,237 |
| Total noncurrent assets | <u>232,237</u> |
| Total assets | <u>364,691</u> |

LIABILITIES

Current Liabilities:

| | |
|------------------|--------|
| Accounts payable | 21,671 |
|------------------|--------|

NET ASSETS

| | |
|---|-------------------|
| Invested in capital assets, net of related debt | 232,237 |
| Unrestricted | 110,783 |
| Total Net Assets | <u>\$ 343,020</u> |

The accompanying notes to basic financial statements are an integral part of this statement.

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2007

REVENUES

| | |
|--------------------------------|----------------|
| Operating Revenues: | |
| Private grants and contracts | \$ 93,421 |
| In-kind contributions | 25,635 |
| Donated administrative support | 194,844 |
| Total operating revenues | <u>313,900</u> |

EXPENSES

| | |
|----------------------------|------------------|
| Operating Expenses: | |
| Educational and General | |
| Programming and production | 346,030 |
| Broadcasting | 69,872 |
| Management and general | 339,743 |
| Depreciation | 30,781 |
| Total operating expenses | <u>786,426</u> |
| Operating loss | <u>(472,526)</u> |

NONOPERATING REVENUES

| | |
|-------------------------------|-------------------|
| State appropriations | 505,194 |
| Private gifts | 97,256 |
| Investment income | 5,019 |
| Total nonoperating revenues | <u>607,469</u> |
| Increase in net assets | 134,943 |
| Net Assets, beginning of year | 208,077 |
| Net Assets, end of year | <u>\$ 343,020</u> |

The accompanying notes to basic financial statements are an integral part of this statement.

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2007

| | |
|--|--------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Private grants and contracts | \$ 114,915 |
| Payments to employees | (297,285) |
| Payments to suppliers | (428,627) |
| Other receipts | <u>194,844</u> |
| Net cash used by operating activities | <u>(416,153)</u> |
| | |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u> | |
| Gifts and grants received for other than capital purposes | 97,256 |
| Other nonoperating receipts | <u>505,194</u> |
| Net cash provided by noncapital financing activities | <u>602,450</u> |
| | |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Purchase of capital assets | <u>(209,688)</u> |
| Net cash used by capital and related financing activities | <u>(209,688)</u> |
| | |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Interest on investments | <u>5,019</u> |
| Net cash provided by investing activities | <u>5,019</u> |
| Net decrease in cash | (18,372) |
| Cash and equivalents - beginning of year | <u>146,685</u> |
| Cash and equivalents - end of year | <u><u>\$ 128,313</u></u> |

(Continued)

The accompanying notes to basic financial statements are an integral part of this statement.

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2007

(Concluded)

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:

| | |
|---|----------------------------|
| Operating loss | \$ (472,526) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 30,781 |
| Loss on disposal of capital assets | 8,811 |
| Change in assets and liabilities: | |
| Pledges receivable | (4,141) |
| Accounts payable | 20,922 |
| Net cash used by operating activities | <u><u>\$ (416,153)</u></u> |

The accompanying notes to basic financial statements are an integral part of this statement.

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

B. Basic financial statements

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

C. Measurement focus, basis of accounting, and financial statement presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the basic financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

D. Assets, liabilities and net assets

1. Deposits and investments

The Station's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Arizona Revised Statutes (A.R.S.) authorize the Station to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

2. Capital assets

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

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

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

| | |
|-----------|-------------|
| Antenna | 10 years |
| Buildings | 15-40 years |
| Equipment | 10 years |

3. Net assets

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

NOTE 2 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and investments

Deposits and investments at June 30, 2007 consist of the following:

| | |
|--|-------------------|
| Investments | |
| State Treasurer's Local Government Investment Pool | <u>\$ 128,313</u> |

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - DETAILED NOTES ON ALL FUNDS (Concl'd)

Investments - At June 30, 2007, the Station's investments are reported at fair value and consisted of the following:

| | <u>Reported Amount</u> |
|--|----------------------------|
| State Treasurer's Local Government Investment Pool | <u>\$ 128,313</u> |

The Station's investment in the State Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the Station's portion is not identified with specific investments and is not subject to custodial credit risk. Interest earned and the net change in the face value of the investments are recorded as investment income. Income is allocated to each of the Station's funds based on the month-end balances of each fund, and is susceptible to accrual. The Station's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national agency.

2. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--------------------------------|-------------------------------|-------------------|------------------|----------------------------|
| Antenna | \$ 120,666 | \$ -0- | \$ -0- | \$ 120,666 |
| Equipment | 215,332 | 13,899 | -0- | 229,231 |
| Buildings | <u>53,890</u> | <u>195,789</u> | <u>53,890</u> | <u>195,789</u> |
| Total | <u>389,888</u> | <u>209,688</u> | <u>53,890</u> | <u>545,686</u> |
| Less accumulated depreciation: | | | | |
| Antenna | 93,815 | 17,900 | -0- | 111,715 |
| Equipment | 188,853 | 10,434 | -0- | 199,287 |
| Buildings | <u>45,079</u> | <u>2,447</u> | <u>45,079</u> | <u>2,447</u> |
| Total accumulated depreciation | <u>327,747</u> | <u>30,781</u> | <u>45,079</u> | <u>313,449</u> |
| Capital assets, net | <u>\$ 62,141</u> | <u>\$ 178,907</u> | <u>\$ 8,811</u> | <u>\$ 232,237</u> |