

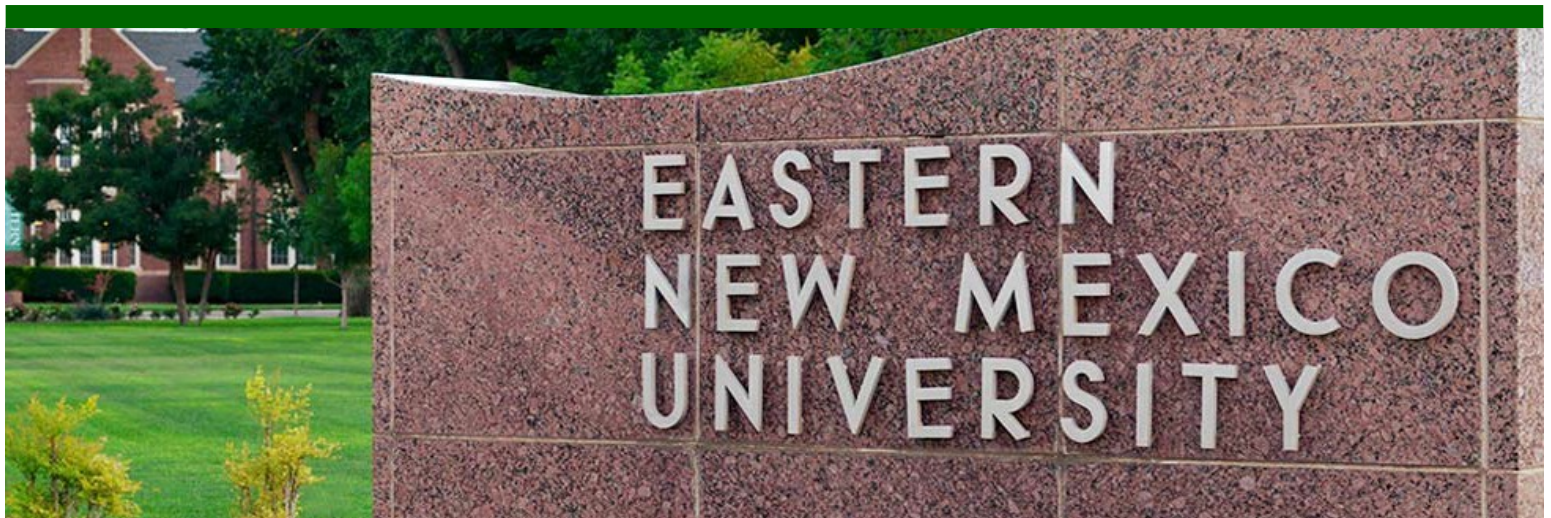


KENW-TV

A Department of Eastern New Mexico University

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019 and 2018



INTRODUCTORY SECTION

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
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JUNE 30, 2019 AND 2018

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**KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
BOARD OF REGENTS AND UNIVERSITY OFFICIALS
JUNE 30, 2019**

Board of Regents

Ex-Officio Members

The Honorable Michele Lujan-Grisham

Governor of the State of New Mexico

Appointed Members

Term Expires

Position

Mr. Edwin Tatum

December 2020

President

Mr. Terry Othick

December 2020

Vice-President

Mr. Joseph Gergel

December 2020

Secretary/Treasurer

Dr. Dan Patterson

December 2022

Member

Mr. Lance Pyle

December 2024

Member

University Officials

Dr. Jeff Elwell

Chancellor – ENMU Campus System

Dr. Steven Gamble

Interim President – Roswell Campus

Dr. Ryan Carstens

President - Ruidoso Campus

Dr. Jeff Long

Vice-President for Student Affairs

Mr. Scott Smart

ENMU System Chief Financial Officer

Dr. Jamie Laurenz

Vice-President for Academic Affairs

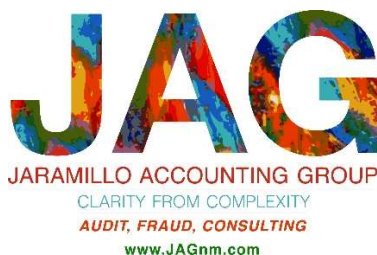
Mr. Clark Elswick

Vice President for Technology and
System Chief Information Officer

Dr. Patrice Caldwell

Vice President for Planning, Analysis and
Governmental Relations/Chief of Staff

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2019 and 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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.

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, 2019 and 2018, 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.

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, 2019 and 2018 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.

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 4-7 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 audits 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

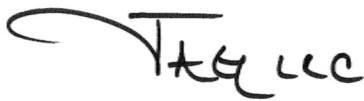
Our audits were conducted for the purpose of forming an opinion on KENW-TV's financial statements and budgetary comparison.

The Introductory Section has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Board of Regents
Eastern New Mexico University

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 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 audits performed in accordance with *Government Auditing Standards* in considering KENW-TV's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 2, 2019

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019. Please read it in conjunction with the Station's financial statements, which follow this section.

Since 1974, KENW has been a leader in public television with a distinguished history of innovative service. KENW continues to pursue our passion for community service, responding to the changing needs of the people of rural New Mexico and West Texas. KENW connects the people of New Mexico and facilitates citizenship and participation in community.

The Station is located on the campus of Eastern New Mexico University. The Station broadcasts a wide variety of programs, which includes programs for primary, secondary, and college level students, as well as for the general public. In addition to the full PBS programming schedule, a broad range of local programming is produced at KENW on topics of interest and importance to the people of the region. 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, 2019 and 2018, the Station's total assets were \$2,505,405 and \$2,384,873, respectively. During the year, net position increased by \$62,202 from \$1,891,384 in 2018 to \$1,953,586 in 2019.
- ◆ Total current liabilities for 2019 were \$551,819. These liabilities are comprised of accrued compensated absences of \$62,689, deferred revenue of \$444,940, and accounts payable of \$44,189. This is a \$58,330 increase from last year's current liabilities of \$493,489.
- ◆ Operating revenues totaled \$1,397,465 for 2019 while operating expenses totaled \$2,546,619. Non-operating revenues were \$1,211,356. For 2018, operating revenues totaled \$1,523,918, while operating expenses totaled \$2,685,994. Non-operating revenues were \$1,231,159. The state appropriation is 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.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

- ◆ 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 ENMU System Chief Financial Officer, Scott W. Smart, at (575) 562-2611.

Financial Analysis of the Station as a Whole

Net Position. The Station's total net position increased \$62,202 from \$1,891,384 in 2018 to \$1,953,586 in 2019. Table 1 summarizes the Station's net position (in thousands of dollars):

<u>Table 1</u>	<u>2019</u>	2018 (as restated)
Current assets	\$ 2,218	\$ 2,092
Capital assets, net	<u>287</u>	<u>293</u>
Total assets	<u>2,505</u>	<u>2,385</u>
Current liabilities	<u>552</u>	<u>493</u>
Total liabilities	<u>552</u>	<u>493</u>
Net position		
Net investment in capital assets	287	293
Unrestricted	<u>1,667</u>	<u>1,598</u>
Total net position	<u>\$ 1,954</u>	<u>\$ 1,891</u>

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Changes in Net Position. Total operating revenues for the years ended June 30, 2019 and 2018 were \$1,397,465 and \$1,523,918, respectively, compared with operating expenses of \$2,546,619 and \$2,685,994, respectively. Non-operating revenues decreased \$19,803 due to a decrease in income. Table 2 summarizes the Station's changes in net position for the years (in thousands of dollars):

<u>Table 2</u>	<u>2019</u>	2018 (as restated)
REVENUES		
Operating revenues		
Private grants and contracts	\$ 811	\$ 746
Other	<u>587</u>	<u>778</u>
Total operating revenues	<u>1,398</u>	<u>1,524</u>
Non-operating revenues		
State appropriation	1,037	1,021
Investment income	96	132
Other revenue	<u>78</u>	<u>78</u>
Total non-operating revenues	<u>1,211</u>	<u>1,231</u>
Total revenues	<u>2,609</u>	<u>2,755</u>
EXPENSES		
Operating expenses		
Program services	1,859	2,077
Supporting services	<u>688</u>	<u>609</u>
Total operating expenses	<u>2,547</u>	<u>2,686</u>
Increase in net position	<u>\$ 62</u>	<u>\$ 69</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 Statements No. 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

As of June 30, 2019, and 2018, the Station had \$286,942 and \$292,992, respectively, invested in broadcasting and production equipment.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 2019-2020 fiscal year is expected to be approximately the same as for 2018-2019. Funding from the state appropriation increased 3.26% for 2019-2020 after an increase of 1.6% in 2018-2019. The State's economy continues to rely heavily on the price of oil and at this time, it looks as if the State will have surplus funds, so no cuts are anticipated for fiscal year 2021. 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

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018 (as restated)
ASSETS		
Current Assets		
Due from Eastern New Mexico University	\$ 2,192,665	\$ 2,060,172
Membership and pledges receivable	21,137	16,985
Miscellaneous receivables	4,661	14,724
Total current assets	2,218,464	2,091,881
Non-Current Assets		
Capital assets, net	286,942	292,992
Total assets	2,505,405	2,384,873
LIABILITIES		
Current Liabilities		
Accrued compensated absences	62,689	64,531
Other payables	44,189	-
Unearned revenue	444,940	428,958
Total current liabilities	551,819	493,489
NET POSITION		
Net investment in capital assets	286,942	292,992
Unrestricted net position	1,666,645	1,598,392
Total net position	\$ 1,953,586	\$ 1,891,384

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (as restated)
REVENUES		
Operating revenues		
Subscriptions and memberships	\$ 108,817	\$ 108,697
Administrative support from the University	266,646	246,740
Grants from Corporation for Public Broadcasting	810,842	745,540
Public broadcasting service warning, alert and response network grant	-	-
Other sources	<u>211,160</u>	<u>422,941</u>
Total operating revenues	<u>1,397,465</u>	<u>1,523,918</u>
EXPENSES		
Operating expenses		
Program services		
Local programming and production	912,867	1,038,792
Broadcasting	829,478	926,836
Program information	116,505	111,231
Supporting services		
Fund raising and membership development	57,970	66,555
Management and general	<u>629,800</u>	<u>542,580</u>
Total operating expenses	<u>2,546,619</u>	<u>2,685,994</u>
Operating loss	<u>(1,149,154)</u>	<u>(1,162,076)</u>
Non-Operating Revenues		
State appropriations	1,037,600	1,020,900
Investment income	95,756	132,259
Infrastructure fee	<u>78,000</u>	<u>78,000</u>
Total non-operating revenues	<u>1,211,356</u>	<u>1,231,159</u>
Increase in net position	<u>62,202</u>	<u>69,083</u>
Net position, beginning of year	1,891,384	2,163,321
Restatement	-	<u>(341,020)</u>
Net position, beginning of year, as restated	<u>1,891,384</u>	<u>1,822,301</u>
Net position, end of year	<u>\$ 1,953,586</u>	<u>\$ 1,891,384</u>

See Accompanying Notes.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Cash from subscriptions, members, and grants	\$ 1,413,449	\$ 1,639,443
Cash paid to suppliers	<u>(2,540,025)</u>	<u>(2,715,323)</u>
Net cash used in operating activities	<u>(1,126,576)</u>	<u>(1,075,880)</u>
Cash flows from non-capital financing activities		
State appropriations	1,037,600	1,020,900
Other	<u>78,000</u>	<u>78,000</u>
Net cash provided by non-capital financing activities	<u>1,115,600</u>	<u>1,098,900</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	<u>(84,779)</u>	<u>(155,279)</u>
Cash flows from investing activities		
Interest and appreciation on investments	<u>95,755</u>	<u>132,259</u>
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 used in operating activities		
Operating loss	\$ (1,149,154)	\$ (1,162,076)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	90,830	230,117
Change in assets and liabilities		
Other receivables	(126,583)	(257,568)
Accrued compensated absences	(1,842)	(1,878)
Other payables	44,189	-
Unearned revenue	<u>15,984</u>	<u>115,525</u>
Net cash used in operating activities	<u><u>\$ (1,126,576)</u></u>	<u><u>\$ (1,075,880)</u></u>

See Accompanying Notes.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

KENW-TV (the Station) (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 the Station is presented to assist in the understanding of the department's financial statements. The financial statements and notes are the representation of the Station's management who is responsible for the integrity and objectivity.

A. Financial Reporting Entity

The Station 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.

In evaluating how to define the Station 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 Statement 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. The Station 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.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 non-operating.

D. Deposits and Investments

The Station 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.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and investment accounts that the station has a claim on but is maintained in University accounts.

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, 2019. There were no grants receivable at June 30, 2019 and 2018.

J. Membership and pledges receivable

Membership receivable at June 30, 2019 and 2018 is \$21,137 and \$16,985, 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, 2019.

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, 2019 and 2018.
- *Unrestricted* - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

NOTE 2. CAPITAL ASSETS

A summary of changes in capital assets are as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Equipment	\$ 9,560,877	\$ 84,779	\$ (106,066)	\$ 9,539,591
Accumulated depreciation	<u>(9,267,885)</u>	<u>(90,830)</u>	<u>106,066</u>	<u>(9,252,649)</u>
Net capital assets	<u>\$ 292,992</u>	<u>\$ (6,050)</u>	<u>\$ -</u>	<u>\$ 286,942</u>
	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Equipment	\$ 9,608,802	\$ 155,279	\$ (203,204)	\$ 9,560,877
Accumulated depreciation	<u>(9,240,972)</u>	<u>(230,117)</u>	<u>203,204</u>	<u>(9,267,885)</u>
Net capital assets	<u>\$ 367,830</u>	<u>\$ (74,838)</u>	<u>\$ -</u>	<u>\$ 292,992</u>

Depreciation expense of \$90,830 and \$230,117 was charged to local programming and production for the years ended June 30, 2019 and 2018, respectively.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3. INTERFUND TRANSACTIONS

The Station administrative support is based on an allocation of actual indirect costs from ENMU and the related expense of \$266,646 and \$246,740 for 2019 and 2018, 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

The Station 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 the Station. 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, 2019.

NOTE 6. RETIREMENT PLAN

As required by Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the University has implemented the standard for the fiscal year ending June 30, 2019.

KENW-TV, a Department of the primary government of the University, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Educational Retirement Board (ERB). Overall, total pension liability exceeds ERB Plan net position resulting in a net pension liability. The University has determined the University's share of the net pension liability to be a liability of the University as a whole, rather than the Department of the University and is not to be reported in the department level financial statements of the University. All required disclosures are presented in the University's financial statements.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government are contained in the University financial statement and is available, when issued, from the University Controller, Business Affairs Station #4, 1500 S Ave K, Portales New Mexico 88130.

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE

As required by Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, the University has implemented this standard for the fiscal year ended June 30, 2019.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE (CONTINUED)

KENW-TV, a Department of the primary government of the University, is a contributing employer to a cost-sharing multiple-employer defined benefit post-employment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other post-employment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The University has determined the University's share of the net OPEB liability to be a liability of the University as a whole, rather than any department of the University and the liability will not be reported in the department level financial statements of the University. All required disclosures will be presented in the financial statements of the University.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the University financial statements for the year ended June 30, 2019 and will be available, when issued, from the University Controller, Business Affairs Station #4, 1500 S Ave K, Portales New Mexico 88130.

NOTE 8. RESTATEMENT

Management of KENW-TV determined that \$341,020 in amounts "Due from Eastern New Mexico University" were erroneously recorded in the financial statements prior to July 1, 2017. Accordingly, the beginning unrestricted net position as of July 1, 2017 was reduced by \$341,020.

NOTE 9. SUBSEQUENT EVENTS

The Station has evaluated events subsequent to June 30, 2019 that would possibly require adjustment or disclosure in these financial statements, through November 22, 2019, the date that these statements were available to be issued. There were no events identified that requires adjustment or disclosure as of June 30, 2019.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
SCHEDULES OF BUDGETED AND ACTUAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

June 30, 2019	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Program services				
Local programming and production	\$ -	\$ 1,099,215	\$ 912,867	\$ 186,348
Broadcasting	-	983,053	829,478	153,576
Program Information	-	161,013	116,505	44,509
Total program services	<u>-</u>	<u>2,243,281</u>	<u>1,858,849</u>	<u>384,432</u>
Supporting services				
Fund raising and membership development	-	108,255	57,970	50,285
Management and general	-	553,892	629,800	(75,908)
Total supporting services	<u>-</u>	<u>662,147</u>	<u>687,769</u>	<u>(25,623)</u>
Total operating funds	<u>\$ -</u>	<u>\$ 2,905,428</u>	<u>\$ 2,546,619</u>	<u>\$ 358,809</u>

June 30, 2018	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Program services				
Local programming and production	\$ -	\$ 1,010,136	\$ 1,038,792	\$ (28,656)
Broadcasting	-	1,285,223	926,836	358,387
Program Information	-	120,852	111,231	9,621
Total program services	<u>-</u>	<u>2,416,211</u>	<u>2,076,859</u>	<u>339,352</u>
Supporting services				
Fund raising and membership development	-	84,817	66,555	18,262
Management and general	-	507,791	542,580	(34,789)
Total supporting services	<u>-</u>	<u>592,608</u>	<u>609,135</u>	<u>(16,527)</u>
Total operating funds	<u>\$ -</u>	<u>\$ 3,008,819</u>	<u>\$ 2,685,994</u>	<u>\$ 322,825</u>

See Accompanying Notes.

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**

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 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, 2019, and the related notes to the financial statements, which collectively comprise KENW-TV's basic financial statements and have issued our report thereon dated December 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audits 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2019-001.

The Board of Regents
Eastern New Mexico University

Compliance and Other Matters

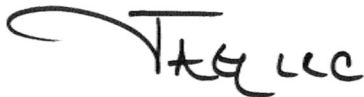
As part of obtaining reasonable assurance about whether the KENW-TV's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

KENW-TV's Response to Finding

KENW-TV's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. KENW-TV's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 2, 2019

**KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

NONE

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? Yes
- Non-compliance material to financial statements noted? No

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING – RESTATEMENT

TYPE OF FINDING: Significant Deficiency

CONDITION

In the process of performing a detailed reconciliation of the “Due from Eastern New Mexico University” account grouping, management discovered that the account grouping was overstated by \$341,020. Management determined that the overstatement occurred as a result of an incorrect journal entry that was created during the June 30, 2007 financial close and reporting process. The restatement only affected the “Department” level financial statements and did not affect the Eastern New Mexico University financial statements.

CRITERIA

As noted in the Independent Auditor’s report, *“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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.”*

As a result of an ineffective control structure (reconciliation process) over the “Due from Eastern New Mexico University”, the beginning equity balance had to be restated as more fully described in Note 8 to the financial statements.

EFFECT

The asset account grouping “Due from Eastern New Mexico University” and the equity account grouping “Unrestricted Net Position” were BOTH overstated by \$341,020 in the previous years.

CAUSE

The lack of a complete and accurate reconciliation over the “Due from Eastern New Mexico University” account grouping in prior years.

RECOMMENDATION

We recommend management continue to evaluate all aspects of the financial close and reporting process and to ensure accurate financial statements.

MANAGEMENT RESPONSE

Corrective Action: In reviewing the trial balance, current management discovered an inaccuracy in a receivable account. Research of historical data and review of journal entries completed by prior management during a conversion from a spreadsheet shadow system to a special fund in the University’s administrative software system confirmed an incorrect entry was made. It was confirmed that there was no receivable owed to the TV station. Upon further review of historical data, it was discovered revenue for a capital project (transmitter site and building) was recognized twice; once in the shadow system and again during the conversion. Management is confident the restated net position is correct.

KENW-TV
(A DEPARTMENT OF EASTERN NEW MEXICO UNIVERSITY)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING – RESTATEMENT (CONTINUED)

Due Date of Completion: December 2, 2019

Responsible Party: University Controller