

KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 AND 2009

**KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
ARIZONA WESTERN COLLEGE
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JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITORS' 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 years ended June 30, 2010 and 2009, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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, 2010 and 2009, 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, 2010 and 2009, 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 management's discussion and analysis on pages 2-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
December 15, 2010



(1)

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**KAWC-AM RADIO
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009**

December 15, 2010

This discussion and analysis introduces the basic financial statements and provides an overview of KAWC-AM Radio's (the Station's) financial activities for the fiscal years ended June 30, 2010 and 2009. Please read it in conjunction with the financial statements, which immediately follow.

Basic Financial Statements:

The Station's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities." These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The Statement of Net Assets reflects the financial position of the Station at June 30, 2010. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the Station. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Station is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2010. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount – which is shown on The Statement of Net Assets described above.

The Statement of Cash Flows presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2010. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses and Changes in Net Assets described above.

The primary focus of this document is on the results of activity for the fiscal year ended June 30, 2010. This Management's Discussion and Analysis (MD&A) uses prior fiscal year for comparison purposes which illustrates where the Station's financial performance may have changed.

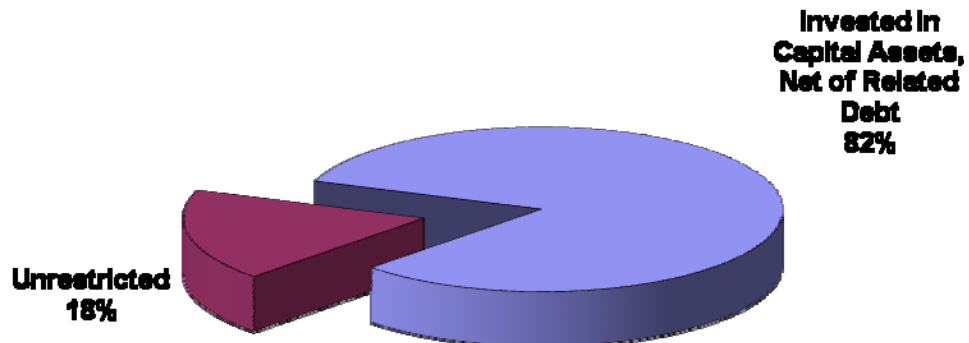
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Condensed Financial Statements:

Condensed Statement of Net Assets
As of June 30

	2010	2009
Assets:		
Current Assets	\$ 55,910	\$ 91,601
Capital Assets, Net	201,717	195,020
Total Assets	257,627	286,621
Current Liabilities:		
Accounts Payable	11,338	2,130
Net Assets:		
Capital Assets, Net of Related Debt	201,717	195,020
Unrestricted	44,572	89,471
Total Net Assets	\$ 246,289	\$ 284,491

Percent of Net Assets for 2010

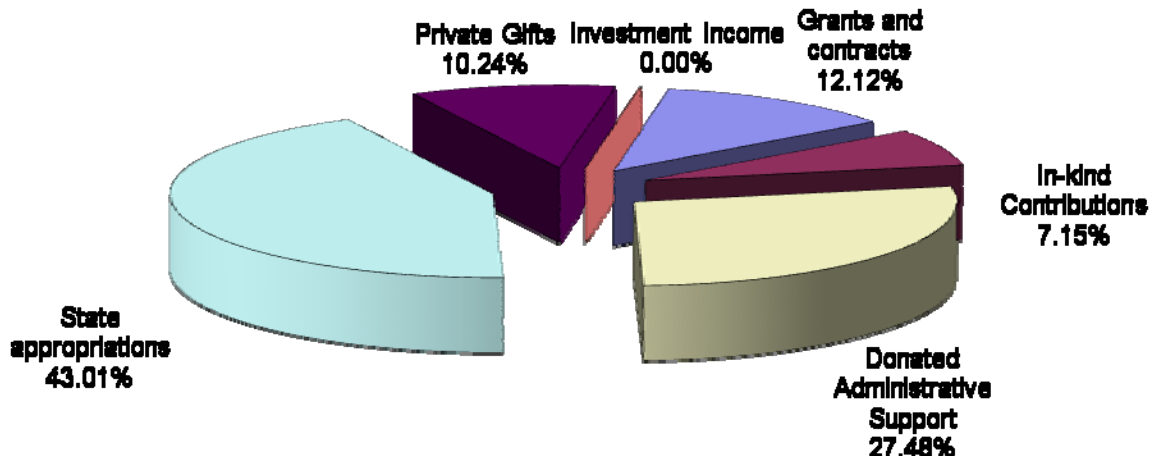


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Condensed Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30

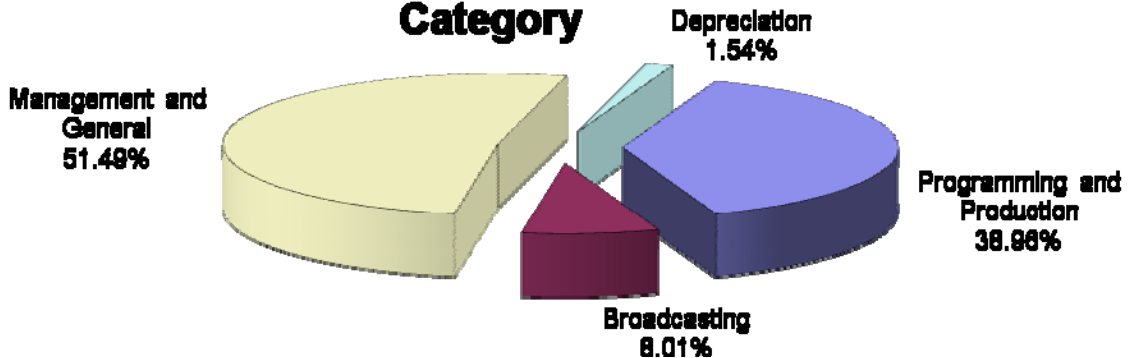
	2010	2009
Revenues		
Operating:		
Grants and Contracts	\$ 107,671	103,589
In-Kind Contributions	63,545	38,739
Donated Administrative Support	244,127	209,054
Nonoperating:		
State Appropriations	382,138	361,806
Private Gifts	90,996	105,893
Investment Income	34	650
Total Revenues	888,511	819,731
Expenses		
Operating:		
Education and General:		
Programming and Production	361,012	314,363
Broadcasting	74,207	77,030
Management and General	477,203	428,747
Depreciation	14,291	14,133
Total Expenses	926,713	834,273
Increase (Decrease) in Net Assets	(38,202)	(14,542)
Net Assets, Beginning of Year	284,491	299,033
Net Assets, June 30	\$ 246,289	\$ 284,491

Percent of 2010 Revenues by Source



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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009

Percent of 2010 Operating Expenses by Category



Financial Highlights and Analysis:

Statement of Net Assets

The Station's overall financial position decreased in FY 2010. Total Assets decreased \$29 thousand from FY 2009 to FY 2010. This decrease is primarily due to a drop in Private Gifts and investment income, along with increased program acquisition costs and the purchase of a new computerized automation system.

Total Liabilities increased by \$9.2 thousand which is mostly due an effort to sign several new underwriting contracts in June, before the end of the fiscal year.

Total Net Assets for the Station decreased by \$38.2 thousand from FY 2009 to FY 2010. This decrease is primarily due to the changes in Capital Assets and Cash and Cash equivalents and the increase in Accounts Payable as described above.

The Station's financial position remains strong with adequate resources to meet all current obligations.

Statement of Revenues, Expenses, and Changes in Net Assets

The Station has three major revenue sources. These are private grants and contracts, in-kind contributions, and donated administrative support.

Total revenues for the Station increased by \$64 thousand from FY 2009 to FY 2010. The following revenue sources make up the total increase.

- Increase of \$35.1 thousand in support from Arizona Western College to replace our computerized automation system and pay for some programming costs.
- Increase of \$4.1 thousand in CPB support through the stabilization fund.
- Increase of \$24.8 thousand in in-kind underwriting contracts with other non-profits across Yuma and our new markets.

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Total expenses increased by \$92.4 thousand from FY 2009 to FY 2010. These increases were caused by increases in network programming fees. These expenses are reflected in the Station's programming and broadcasting expenses.

The Net nonoperating revenues/expenses in FY 2010 increase of \$4.8 thousand due to two factors:

1. A 5% increase in our state appropriation to cover the purchase of a new computerized automation system.
2. A 14% reduction in listener contributions and underwriting contracts.

Capital Assets Administration:

The Station's capital assets as of June 30, 2010 totaled \$201,717 (net of accumulated depreciation). Capital assets include antenna, buildings, and equipment. The change in the Station's capital assets for the current year was an increase of 3% due to depreciation and the purchase of a new computerized automation system. Additional information on capital assets can be found in detail in Note 2 to the Station's basic financial statements.

Current Factors Having Probable Future Financial Significance:

KAWC-AM 's signal expansion project using a leased management agreement (LMA) serving four new markets did not produce any financial benefits in FY 2010. The additional programming costs required under the LMA were not offset by listener contributions or underwriting sales in the new markets. It is our expectation that these new audiences will begin to support KAWC in the coming year as we launch multiple outreach and marketing initiatives.

This discussion and analysis is designed to provide a general overview of the KAWC-AM Radio's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Single Audit Reporting Package or requests for additional financial information should be addressed to the Vice President for Administrative Services, P.O. Box 929, Yuma, Arizona 85366.

KAWC-AM RADIO
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STATEMENT OF NET ASSETS
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 53,373	\$ 87,991
Pledges Receivable	2,537	3,610
Total Current Assets	55,910	91,601
NONCURRENT ASSETS		
Capital Assets (Net)	201,717	195,020
Total Assets	257,627	286,621
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	11,338	2,130
NET ASSETS		
Invested in Capital Assets	201,717	195,020
Unrestricted	44,572	89,471
Total Net Assets	\$ 246,289	\$ 284,491

See accompanying Notes to Basic Financial Statements.

KAWC-AM RADIO
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
JUNE 30, 2010 AND 2009

	2010	2009
REVENUES		
Operating Revenues:		
Private Grants and Contracts	\$ 107,671	\$ 103,589
In-Kind Contributions	63,545	38,739
Donated Administrative Support	244,127	209,054
Total Operating Revenues	415,343	351,382
EXPENSES		
Operating Expenses:		
Educational and General		
Programming and Production	361,012	314,363
Broadcasting	74,207	77,030
Management and General	477,203	428,747
Depreciation	14,291	14,133
Total Operating Expenses	926,713	834,273
Operating Loss	(511,370)	(482,891)
NONOPERATING REVENUES		
State Appropriations	382,138	361,806
Private Gifts	90,996	105,893
Investment Income	34	650
Total Nonoperating Revenues	473,168	468,349
CHANGE IN NET ASSETS	(38,202)	(14,542)
Net Assets - Beginning of Year	284,491	299,033
NET ASSETS - END OF YEAR	\$ 246,289	\$ 284,491

See accompanying Notes to Basic Financial Statements.

KAWC-AM RADIO
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STATEMENT OF CASH FLOWS
JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Private Grants and Contracts	\$ 172,289	\$ 143,333
Payments to Employees	(376,025)	(361,349)
Payments to Suppliers	(527,189)	(461,392)
Other Receipts	244,127	209,054
Net Cash Used by Operating Activities	(486,798)	(470,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts and Grants Received for Other than Capital Purposes	90,996	105,893
Other Nonoperating Receipts	382,138	361,806
Net Cash Provided by Noncapital Financing Activities	473,134	467,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(20,988)	-
Net Cash Used by Capital and Related Financing Activities	(20,988)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	34	650
Net Cash Provided by Investing Activities	34	650
NET DECREASE IN CASH	(34,618)	(2,005)
Cash and Equivalents - Beginning of Year	87,991	89,996
CASH AND EQUIVALENTS - END OF YEAR	\$ 53,373	\$ 87,991
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (511,370)	\$ (482,891)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	14,291	14,133
Change in Assets and Liabilities:		
Pledges Receivable	1,073	1,005
Accounts Payable	9,208	(2,601)
Net Cash Used by Operating Activities	\$ (486,798)	\$ (470,354)

See accompanying Notes to Basic Financial Statements.

**KAWC-AM RADIO
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

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 are normally 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (Continued)

2. Capital Assets (Continued)

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	5 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, 2010 consist of the following:

Investments

State Treasurer's Local Government Investment Pool	<u>\$ 53,373</u>
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments - At June 30, 2010, 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>\$ 53,373</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.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the Station will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities purchased are required to be delivered to the Station's custodial bank or held by an independent third-party financial institution in the name of the Station. Additionally, the Station personnel are not affiliated or related to investment brokers or custodians in accordance with state statutes. Accordingly, the Station has limited exposure to custodial credit risk.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Equipment	\$ 229,231	\$ 20,988	\$ (6,112)	\$ 244,107
Buildings	195,789	-	-	195,789
Total	<u>425,020</u>	<u>20,988</u>	<u>(6,112)</u>	<u>439,896</u>
Less Accumulated Depreciation:				
Equipment	217,763	9,396	(6,112)	221,047
Buildings	12,237	4,895	-	17,132
Total Accumulated Depreciation	<u>230,000</u>	<u>14,291</u>	<u>(6,112)</u>	<u>238,179</u>
Capital Assets, Net	<u>\$ 195,020</u>	<u>\$ 6,697</u>	<u>\$ -</u>	<u>\$ 201,717</u>

Land values are included in the capital assets of Arizona Western College.