

**KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College,
Council Bluffs, Iowa)**

FINANCIAL REPORT

June 30, 2011

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Iowa Western Community College
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
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Doug Goodman	Vice President	2011
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Colleen Geiger	Member	2011
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Iowa Western Community College
Council Bluffs, Iowa

We have audited the accompanying statements of net assets of KIWR-FM Radio (a public telecommunications entity operated by Iowa Western Community College, Council Bluffs, Iowa) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of KIWR-FM Radio. 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KIWR-FM Radio as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011, on our consideration of KIWR-FM Radio'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 9 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of KIWR-FM Radio taken as a whole. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 11, 2011

KIWR-FM Radio
Iowa Western Community College
Council Bluffs, Iowa
(A Public Telecommunications Entity Operated by Iowa Western Community College,
Council Bluffs, Iowa)

Management Discussion and Analysis
Year Ended June 30, 2011 (Unaudited)

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of KIWR-FM Radio (the Radio Station) for the year ended June 30, 2011. Management of the Radio Station (Station management) has prepared the following discussion and it should be read with the financial statements and related footnotes which follow this section.

The Radio Station is operated by Iowa Western Community College (IWCC).

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Radio Station consist of the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – For State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – For Public Colleges and Universities*. Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes the basic financial statements noted above. Statement No. 35 also requires the classification of net assets into three categories – invested in capital assets; restricted; and unrestricted.

The Statements of Net Assets includes Assets, Liabilities and Net Assets of the Radio Station as of June 30, 2011 and 2010. These statements are classified into Current Assets, Capital Assets and Current Liabilities, with Net Assets classified into the applicable categories as noted above. The Statements of Revenues, Expenses and Changes in Net Assets depicts the Operating Revenues and Expenses resulting in an Operating Income (Loss) for fiscal years 2011 and 2010, which is then combined with Non-Operating Expenses to provide the total Decrease in Net Assets. The Statements of Cash Flows shows the sources and uses of cash flows from operating activities, cash flows from non-capital financing activities and cash flows from capital and related financing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

Net Assets of the Radio Station decreased by (\$16,950) for the year ended June 30, 2011 (fiscal year 2011), the result of depreciation expense for the fiscal year associated with capital assets. Net Assets at June 30, 2011 totaled \$97,443. Net Assets at June 30, 2010, were \$114,393. While the Radio Station continues to be on sound footing financially, operating results for fiscal year 2011 have been impacted by the downturn in the economy and its associated erosion of consumer confidence. Consumer demand for concert events has softened considerably and negatively impacted promotion revenue during the past fiscal year.

In fiscal year 2011, the Radio Station's Operating Revenues totaled \$948,915, while Operating Expenses were \$1,209,685. The Net Operating Loss for fiscal year 2011 was (\$260,770), which included a non-cash depreciation expense of \$23,238. Donated services and programs and material and supplies (donated support) totaled \$380,629 for fiscal year 2011, which represents indirect administration support from IWCC. The amount of donated support is reflected as revenues in the accompanying statement of revenues, expenses and changes in net assets. As expenses of an equivalent amount are also recognized, there is no impact on total net assets.

The Radio Station's capital assets, net of accumulated depreciation, totaled \$97,443 at June 30, 2011. The Radio Station has outstanding current liabilities of \$86,414 at June 30, 2011, including accounts payable, salaries payable, payroll taxes payable and deferred revenue. The Radio Station has no outstanding debt obligations as of June 30, 2011.

FINANCIAL ANALYSIS OF THE STATEMENTS

The Radio Station's condensed comparative financial statements are presented below for fiscal years 2011 and 2010.

Current Assets consist primarily of investments and accounts receivables. Capital Assets are presented net of accumulated depreciation of \$597,505 at June 30, 2011. Liabilities consist of accounts payable, salaries payable, payroll taxes payable and deferred revenue. Net Assets are classified as invested in capital assets.

KIWR-FM Radio Condensed Statements of Net Assets

	<u>FY11</u>	<u>FY10</u>
Assets		
Current Assets	\$ 86,414	\$ 80,958
Capital Assets	<u>97,443</u>	<u>114,393</u>
Total assets	183,857	195,351
Liabilities		
Current Liabilities	<u>86,414</u>	<u>80,958</u>
Net assets		
Invested in capital assets	\$ <u>97,443</u>	\$ <u>114,393</u>

Operating Revenues consist primarily of local support, Corporation for Public Broadcasting appropriations, college support, underwriting and donated support. Operating expenses consist primarily of program services and support services. Nonoperating Revenues consist of interest income from investments.

KIWR-FM Radio
Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>FY11</u>	<u>FY10</u>
Local support	\$ 94,728	\$112,831
Corporation for Public Broadcasting	89,396	103,277
Underwriting	384,162	599,804
Donated support	<u>380,629</u>	<u>318,365</u>
Total operating revenues	<u>948,915</u>	<u>1,134,277</u>
Program services	610,916	465,504
Support services	<u>598,769</u>	<u>624,282</u>
Total operating expenses	<u>1,209,685</u>	<u>1,089,786</u>
Operating income (loss)	<u>(260,770)</u>	<u>44,491</u>
Nonoperating revenues and transfers		
Transfers	243,769	(68,071)
Interest on Investments	<u>51</u>	<u>448</u>
Net nonoperating revenues and transfers	<u>243,820</u>	<u>(67,623)</u>
(Decrease) in net assets	(16,950)	(23,132)
Net assets, beginning of year	<u>114,393</u>	<u>137,525</u>
Net assets, end of year	<u>\$ 97,443</u>	<u>\$114,393</u>

OTHER SIGNIFICANT MATTERS

89.7 The River (KIWR’s station name) broadcasts its 100,000 watt signal from a tower height of 1,150 feet located in the Council Bluffs/Omaha metro area. The alternative rock format of the station appeals to key demographics from ages 15-34. The popularity of The River has been a significant factor in the continued enrollment growth of Iowa Western Community College.

The downturn in the national and regional economies has impacted the Radio Station’s operating revenues as concert ticket sales have fallen. A national trend has seen ticket prices reduced and lower attendance figures combine to reduce year-to-date underwriting revenues by 36% or (\$211,988). Until unemployment rates come down and consumer confidence improves concert promotion and ticket sales will be lower. To counter this trend in fiscal year 2012, the Station management has focused on promoting smaller shows with lower talent costs that hopefully will appeal to price conscious concert goers.

Operating Revenues were down \$185,362 in fiscal year 2011 totaling \$948,915. Expenditures in fiscal year 2011 were up at \$1,209,685 compared to \$1,089,786 in fiscal year 2010. As the economy has struggled over the past 2-3 years, the impact on all categories of Operating Revenues can be seen. Local Support is down 16% versus fiscal year 2010. CPB funding was reduced 13% as the federal budget woes continue. As mentioned earlier, Underwriting Revenues fell by 36% or (\$211,988) as companies pulled back on promotions and concert attendance slowed. Finally, Donated Professional Services and Programs were higher due to increased costs of services that are provided by the College. To compensate for the lower revenue total, the College has provided financial support to the Radio Station through Operating Transfers of \$243,769. As the local and national economies improve and the Radio Station undertakes measures to control costs and grow revenues, the Radio Station will work to repay these cash flow advances. Despite lower revenues due to the economy, the popularity of the Radio Station with listeners continues to increase. Ratings are strong and the Radio Station's key demographic, males ages 15-34, continues to expand.

The 89.7 The River Station management will continue to be actively involved in the promotion and staging of local area concerts. Their involvement ranges from promoting relatively unknown startup bands at smaller local area venues to working in cooperation with national music promotions to host one or two major summer concerts. Station management will continue to monitor concert attendance trends and adjust its concert promotion strategies accordingly to control costs. As the economy improves and concert goers become willing to spend more dollars for tickets, the Radio Station revenue picture will improve.

CONTACTING THE RADIO STATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Radio Station's constituents, taxpayers in the service district and KIWR creditors with a general overview of the Radio Station's finances and to demonstrate KIWR's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Western Community College, 2700 College Road, Council Bluffs, IA 51503.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
STATEMENTS OF NET ASSETS

	June 30	
ASSETS	2011	2010
CURRENT ASSETS		
Investments	\$ 37,230	\$ 37,186
Accounts receivable	24,181	39,572
Prepaid expenses	14,774	4,200
Due from Iowa Western Community College	10,229	—
Total current assets	86,414	80,958
CAPITAL ASSETS		
Buildings and fixed equipment	20,682	20,682
Other structure and improvements	166,248	166,248
Furniture, machinery and equipment	508,018	501,730
Total	694,948	688,660
Less accumulated depreciation	597,505	574,267
Capital assets, net	97,443	114,393
Total assets	183,857	195,351
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	28,353	1,122
Salaries payable	14,837	13,132
Payroll taxes and employee benefits payable	2,404	1,840
Deferred revenue	40,820	30,240
Due to Iowa Western Community College	—	34,624
Total current liabilities	86,414	80,958
NET ASSETS		
Invested in capital assets	\$ 97,443	\$ 114,393

See Notes to Financial Statements.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Local support	\$ 94,728	\$ 112,831
Corporation for Public Broadcasting support	89,396	103,277
Underwriting	377,842	589,830
Underwriting, trade	6,320	9,974
Donated professional services and programs	371,254	314,989
Donated material and supplies	9,375	3,376
Total operating revenues	<u>948,915</u>	<u>1,134,277</u>
OPERATING EXPENSES		
Program services		
Programming and production	199,045	113,309
Broadcasting	361,632	305,401
Program information	50,239	46,794
	<u>610,916</u>	<u>465,504</u>
Support services		
Management and general	298,981	287,725
Fundraising and membership development	71,632	51,860
Underwriting and grant solicitation	204,918	261,565
Depreciation expense	23,238	23,132
	<u>598,769</u>	<u>624,282</u>
Total operating expenses	<u>1,209,685</u>	<u>1,089,786</u>
OPERATING INCOME (LOSS)	<u>(260,770)</u>	<u>44,491</u>
NONOPERATING REVENUE AND TRANSFERS		
Transfers to/from Iowa Western Community College	243,769	(68,071)
Interest on investments	51	448
Net nonoperating revenue and transfers	<u>243,820</u>	<u>(67,623)</u>
(DECREASE) IN NET ASSETS	(16,950)	(23,132)
NET ASSETS		
Beginning of year	<u>114,393</u>	<u>137,525</u>
End of year	<u>\$ 97,443</u>	<u>\$ 114,393</u>

See Notes to Financial Statements.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Local support	\$ 94,728	\$ 112,831
Corporation for Public Broadcasting	89,396	103,277
Underwriting	403,813	609,979
Programming and production	(143,524)	(65,528)
Broadcasting	(253,765)	(225,253)
Program information	(29,135)	(31,814)
Management and general	(172,871)	(206,037)
Fundraising and membership development	(45,042)	(33,262)
Underwriting and grant solicitation	<u>(136,235)</u>	<u>(173,706)</u>
Net cash provided by (used in) operating activities	<u>(192,635)</u>	<u>90,487</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments and transfers to/from Iowa Western Community College	198,923	(90,487)
Acquisitions of capital assets	<u>(6,288)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>192,635</u>	<u>(90,487)</u>
NET CHANGE IN CASH	-	-
CASH		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ <u>(260,770)</u>	\$ <u>44,491</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	23,238	23,132
Changes in assets and liabilities		
Accounts receivable	15,391	20,149
Prepaid expenses	(10,574)	3,869
Accounts payable	27,231	408
Salaries payable	1,705	(1,364)
Payroll taxes payable	564	(198)
Deferred revenue	<u>10,580</u>	<u>-</u>
Total adjustments	<u>68,135</u>	<u>45,996</u>
Net cash provided by (used in) operating activities	<u>\$ (192,635)</u>	<u>\$ 90,487</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest income reinvested	<u>\$ 51</u>	<u>\$ 448</u>

See Notes to Financial Statements.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

KIWR-FM Radio (the Radio Station) is a nonprofit, noncommercial radio station. The Radio Station operates with a power of 100,000 watts, reaching a potential audience of an 80-mile radius in western Iowa and eastern Nebraska. The Radio Station is operated by, and the financial activity is included in the financial statements of, Iowa Western Community College, Council Bluffs, Iowa (the College). The Radio Station is dependent upon support from the Corporation for Public Broadcasting, Iowa Western Community College and the public.

General

In its accounting and financial reporting, the Radio Station follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The Radio Station follows the provisions of GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. GASB Statement No. 35 established standards for external financial reporting for all public colleges and universities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows prepared on the direct method, as well as the notes to the financial statements. It requires the classification of net assets into three categories - invested in capital assets, restricted and unrestricted.

Basis of Accounting

The financial statements of the Radio Station have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are reported when earned and expenses are recorded when materials and services are received.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates and assumptions used in preparing the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The allowance as of June 30, 2011 and 2010 was \$3,330 and \$3,585, respectively.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
NOTES TO FINANCIAL STATEMENTS

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

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are stated at fair market value at date of donation. The Radio Station's capitalization policy is to capitalize items greater than \$5,000. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and fixed equipment	10-25 years
Other structure and improvements	10-25 years
Furniture, machinery and equipment	5-25 years

Management periodically reviews capital assets for impairment.

Donated facilities from Iowa Western Community College consist of office and studio space together with related occupancy costs and are recorded as revenues and expenses at estimated fair rental values. Administrative support from Iowa Western Community College consists of allocated financial and student development department costs and certain other expenses incurred by the College on behalf of the Radio Station.

Donated professional services and programs and donated materials and supplies are recorded as revenues and expenses at estimated fair values.

Deferred Revenue

Income from rental of tower space is deferred and recognized over the period covered by the lease agreement.

Income from the Radio Community Service Grant remaining at year end is deferred and will be recognized over the period covered by the grant agreement.

NOTE 2 INVESTMENTS

The Radio Station's deposits in banks at June 30, 2011 and 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Radio Station is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Iowa Western Community College Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Radio Station had nonnegotiable certificates of deposit at June 30, 2011 and 2010 which are valued at cost of \$37,230 and \$37,186, respectively, which approximates market value.

Interest rate risk. The Radio Station's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Radio Station.

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	<u>July 1, 2010</u> <u>balance</u>	<u>Additions</u>	<u>June 30, 2011</u> <u>balance</u>
Buildings and fixed equipment	\$ 20,682	\$ —	\$ 20,682
Other structure and improvements	166,248	—	166,248
Furniture, machinery and equipment	<u>501,730</u>	<u>6,288</u>	<u>508,018</u>
Total capital assets being depreciated	<u>688,660</u>	<u>6,288</u>	<u>694,948</u>
Less accumulated depreciation			
Buildings and fixed equipment	20,682	—	20,682
Other structure and improvements	166,248	—	166,248
Furniture, machinery and equipment	<u>387,337</u>	<u>23,238</u>	<u>410,575</u>
Total accumulated depreciation	<u>574,267</u>	<u>23,238</u>	<u>597,505</u>
Capital assets, net	<u>\$ 114,393</u>	<u>\$ (16,950)</u>	<u>\$ 97,443</u>

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

	<u>July 1, 2009</u> <u>balance</u>	<u>Additions</u>	<u>June 30, 2010</u> <u>balance</u>
Buildings and fixed equipment	\$ 20,682	\$ —	\$ 20,682
Other structure and improvements	166,248	—	166,248
Furniture, machinery and equipment	<u>501,730</u>	<u>—</u>	<u>501,730</u>
Total capital assets being depreciated	<u>688,660</u>	<u>—</u>	<u>688,660</u>
Less accumulated depreciation			
Buildings and fixed equipment	20,682	—	20,682
Other structure and improvements	166,248	—	166,248
Furniture, machinery and equipment	<u>364,205</u>	<u>23,132</u>	<u>387,337</u>
Total accumulated depreciation	<u>551,135</u>	<u>23,132</u>	<u>574,267</u>
Capital assets, net	<u>\$ 137,525</u>	<u>\$ (23,132)</u>	<u>\$ 114,393</u>

NOTE 4 OPERATING LEASES

The Radio Station has a lease agreement for the rental of equipment. The lease is classified as an operating lease and, accordingly, is charged to expense as incurred. Rental expense under this agreement was \$78,287 for both the years ended June 30, 2011 and 2010. The following is a schedule by year of future minimum rental payments required under this operating lease:

<u>Year ending June 30</u>	<u>Amount</u>
2012	<u>\$ 32,619</u>

KIWR-FM Radio
(A Public Telecommunications Entity Operated by
Iowa Western Community College, Council Bluffs, Iowa)
NOTES TO FINANCIAL STATEMENTS

NOTE 5 RETIREMENT PLANS

Radio Station employees may elect to participate in the Iowa Public Employees Retirement System (IPERS) or the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). If no election is designated by the employee, the employee will automatically be enrolled in IPERS.

The Radio Station contributes to the Iowa Public Employees Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117. Plan members are required to contribute 4.30% of their annual covered salary and the Radio Station is required to contribute 6.65% of annual payroll. Contribution requirements are established by State statute. The Radio Station's required and actual contributions to IPERS for the years ended June 30, 2011 and 2010 were \$5,674 and \$7,351, respectively.

The Radio Station contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA-CREF administers the retirement plan for the Radio Station. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible Radio Station employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employees vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 4.30% and the Radio Station is required to contribute 6.65%. The Radio Station's required and actual contributions to TIAA-CREF for the years ended June 30, 2011 and 2010 were \$17,014 and \$15,757, respectively. The employees' required and actual contributions to TIAA-CREF for the years ended June 30, 2011 and 2010 were \$11,994 and \$10,684, respectively.

NOTE 6 RELATED PARTY ACTIVITY

KIWR-FM Radio is included in the financial statements of Iowa Western Community College, Council Bluffs, Iowa. Indirect administration support from the College of \$156,668 and \$314,989 for the years ended June 30, 2011 and 2010, respectively, is included in revenues under donated professional services and programs. The expense is allocated among the program and supporting services.

The Radio Station has \$10,229 due from the College as of June 30, 2011, for administration support, and for the year ended June 30, 2010, the Radio Station owed \$34,624 to the College, for administration support.

KIWR-FM Radio
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2011

	<u>Program services</u>				<u>Support services</u>					<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting</u>	<u>Program information</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising and membership development</u>	<u>Underwriting and grant solicitation</u>	<u>Depreciation expense</u>	<u>Total support services</u>	
OPERATING EXPENSES										
Salaries, related payroll costs and fringe benefits	\$ 59,017	\$ 129,276	\$ 25,293	\$ 213,586	\$ 123,655	\$ 28,103	\$ 84,310	\$ —	\$ 236,068	\$ 449,654
Professional services	—	17,211	—	17,211	25,816	—	43,028	—	68,844	86,055
Repair of equipment	—	6,053	—	6,053	—	—	—	—	—	6,053
Building maintenance	—	8	—	8	7	—	—	—	7	15
Printing and reproduction services	—	139	139	278	557	278	278	—	1,113	1,391
Communications	—	448	—	448	1,045	—	—	—	1,045	1,493
Utilities	—	12,736	—	12,736	3,184	—	—	—	3,184	15,920
Equipment rental	—	78,287	—	78,287	—	—	—	—	—	78,287
Postage	—	—	105	105	—	733	210	—	943	1,048
Group meeting	—	—	—	—	239	—	160	—	399	399
Other services	83,885	10,485	—	94,370	10,486	—	—	—	10,486	104,856
Materials and supplies	949	—	949	1,898	3,796	—	3,796	—	7,592	9,490
Periodicals	—	74	—	74	75	—	—	—	75	149
Building and construction materials	—	85	—	85	—	—	—	—	—	85
Vehicle supplies	—	—	1,797	1,797	449	—	—	—	449	2,246
Out of state travel	—	—	—	—	6,744	—	—	—	6,744	6,744
In state travel	189	94	94	377	95	189	283	—	567	944
Purchases for resale	—	—	979	979	—	2,284	—	—	2,284	3,263
Other expense	—	—	—	—	13,702	13,701	—	—	27,403	27,403
Bad debts	—	—	—	—	—	—	2,485	—	2,485	2,485
Sales tax	—	—	—	—	759	—	759	—	1,518	1,518
Depreciation	—	—	—	—	—	—	—	23,238	23,238	23,238
Indirect administration	48,727	106,736	20,883	176,346	102,094	23,205	69,609	—	194,908	371,254
Donated personal services of volunteers	<u>6,278</u>	<u>—</u>	<u>—</u>	<u>6,278</u>	<u>6,278</u>	<u>3,139</u>	<u>—</u>	<u>—</u>	<u>9,417</u>	<u>15,695</u>
Total operating expenses	<u>\$ 199,045</u>	<u>\$ 361,632</u>	<u>\$ 50,239</u>	<u>\$ 610,916</u>	<u>\$ 298,981</u>	<u>\$ 71,632</u>	<u>\$ 204,918</u>	<u>\$ 23,238</u>	<u>\$ 598,769</u>	<u>\$1,209,685</u>

See accompanying independent auditor's report.

KIWR-FM Radio
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2010

	<u>Program services</u>				<u>Support services</u>					<u>Total</u>
	<u>Programming and production</u>	<u>Broadcasting</u>	<u>Program information</u>	<u>Total program services</u>	<u>Management and general</u>	<u>Fundraising and membership development</u>	<u>Underwriting and grant solicitation</u>	<u>Depreciation expense</u>	<u>Total support services</u>	
OPERATING EXPENSES										
Salaries, related payroll costs and fringe benefits	\$ 54,206	\$ 118,737	\$ 23,231	\$ 196,174	\$ 113,574	\$ 25,812	\$ 129,062	\$ —	\$ 268,448	\$ 464,622
Professional services	—	12,090	—	12,090	18,135	—	30,225	—	48,360	60,450
Repair of equipment	—	729	—	729	—	—	—	—	—	729
Building maintenance	—	1,122	—	1,122	1,121	—	—	—	1,121	2,243
Printing and reproduction services	—	61	61	122	246	123	123	—	492	614
Communications	—	468	—	468	1,092	—	—	—	1,092	1,560
Utilities	—	11,093	—	11,093	2,774	—	—	—	2,774	13,867
Equipment rental	—	78,287	—	78,287	—	—	—	—	—	78,287
Postage	—	—	585	585	—	167	84	—	251	836
Group meeting	—	—	—	—	52	—	35	—	87	87
Other services	6,758	845	—	7,603	845	—	—	—	845	8,448
Materials and supplies	2,239	—	2,239	4,478	8,955	—	8,955	—	17,910	22,388
Minor equipment	—	—	—	—	3,253	—	—	—	3,253	3,253
Periodicals	—	149	—	149	37	—	—	—	37	186
Building and construction materials	—	1,186	—	1,186	—	—	—	—	—	1,186
Vehicle supplies	—	—	1,766	1,766	442	—	—	—	442	2,208
Out of state travel	—	—	—	—	990	660	1,650	—	3,300	3,300
In state travel	275	137	137	549	137	275	412	—	824	1,373
Purchases for resale	—	—	3,025	3,025	—	7,057	—	—	7,057	10,082
Collection	—	—	—	—	56,568	—	—	—	56,568	56,568
Bad debts	—	—	—	—	—	—	1,015	—	1,015	1,015
Sales tax	—	—	—	—	2,507	—	2,507	—	5,014	5,014
Depreciation	—	—	—	—	—	—	—	23,132	23,132	23,132
Indirect administration	36,749	80,497	15,750	132,996	76,997	17,499	87,497	—	181,993	314,989
Donated personal services of volunteers	13,082	—	—	13,082	—	267	—	—	267	13,349
Total operating expenses	\$ 113,309	\$ 305,401	\$ 46,794	\$ 465,504	\$ 287,725	\$ 51,860	\$ 261,565	\$ 23,132	\$ 624,282	\$1,089,786

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Iowa Western Community College
Council Bluffs, Iowa

We have audited the financial statements of KIWR-FM Radio (a public telecommunications entity operated by Iowa Western Community College, Council Bluffs, Iowa) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KIWR-FM Radio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIWR-FM Radio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of KIWR-FM Radio's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIWR-FM Radio's financial statements are free of 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*.

This report, a public record by law, is intended solely for the information and use of KIWR-FM Radio and other parties to whom KIWR-FM Radio may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 11, 2011