

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

FINANCIAL REPORT

June 30, 2012

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**Iowa Western Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Trustees (Before January 2012)		
Randy Pash	President	2013
Doug Goodman	Vice President	2011
Brent Seigrist	Member	2013
Larry Winum	Member	2011
Connie Hornbeck	Member	2011
Gary Faust	Member	2013
Scott Robinson	Member	2013
Fred Lisle	Member	2011
Kirk Madsen	Member	2013

Board of Trustees (After January 2012)

Randy Pash	President	2013
Connie Hornbeck	Vice President	2015
Brent Seigrist	Member	2013
Larry Winum	Member	2015
Doug Goodman	Member	2015
Gary Faust	Member	2013
Scott Robinson	Member	2013
Fred Lisle	Member	2015
Kirk Madsen	Member	2013

Community College

Dr. Dan Kinney	President
Thomas Johnson	Board Treasurer
Kathryn Schuster	Board Secretary

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, 2012 and 2011, 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, 2012 and 2011, 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 December 4, 2012, 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 financial statements of KIWR-FM Radio 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 as a whole.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 4, 2012

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, 2012 (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, 2012. 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, 2012 and 2011. 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 Loss for fiscal years 2012 and 2011, which is then combined with Nonoperating Revenue and Transfers 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 (\$24,390) for the year ended June 30, 2012 (fiscal year 2012), the result of depreciation expense for the fiscal year associated with capital assets. Net Capital Assets at June 30, 2012 totaled \$73,053. Net Capital Assets at June 30, 2011, were \$97,443. During the 2010 calendar year, the Office of the Inspector General (OIG) of the Corporation of Public Broadcasting (CPB) conducted a mandatory compliance audit of KIWR-FM for fiscal year 2008-2009. The result of the audit findings identified some areas of non-compliance in station operations and financial reporting. As a result of these findings, CPB determined that KIWR-FM's Community Service Grant (CSG) would be reduced to a basic CSG award of \$10,000 for FY12. The loss of revenue negatively impacted the Station's financial results with the Station realizing a (\$24,390) deficit for the year.

Station management and the IWCC Administration have addressed the issue of non-compliance identified by the OIG, taken corrective action and submitted several required deliverables to the CPB office per the audit determination letter. Based on these actions and responses, the CPB has restored KIWR-FM's CSG award to \$94,160 for fiscal year 2013.

In fiscal year 2012, the Radio Station's Operating Revenues totaled \$987,093, while Operating Expenses were \$1,092,899. The Net Operating Loss for fiscal year 2012 was (\$105,806), which included a non-cash depreciation expense of \$24,390. Donated services and programs and material and supplies (donated support) totaled \$317,497 for fiscal year 2012, 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 \$73,053 at June 30, 2012. The Radio Station has outstanding current liabilities of \$77,977 at June 30, 2012, including accounts payable, salaries payable, payroll taxes payable, deferred revenue, and amount due to IWCC. The Radio Station has no outstanding debt obligations as of June 30, 2012.

FINANCIAL ANALYSIS OF THE STATEMENTS

The Radio Station's condensed comparative financial statements are presented below for fiscal years 2012 and 2011.

Current Assets consist primarily of investments and accounts receivables. Capital Assets are presented net of accumulated depreciation of \$621,895 at June 30, 2012. Liabilities consist of accounts payable, salaries payable, payroll taxes payable, deferred revenue, and an amount due to IWCC. Net Assets are classified as invested in capital assets.

KIWR-FM Radio Condensed Statements of Net Assets

	<u>FY12</u>	<u>FY11</u>
Assets		
Current Assets	\$ 77,977	\$ 86,414
Capital Assets	<u>73,053</u>	<u>97,443</u>
Total assets	151,030	183,857
Liabilities		
Current Liabilities	<u>77,977</u>	<u>86,414</u>
Net assets		
Invested in capital assets	\$ <u>73,053</u>	\$ <u>97,443</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 and monetary support provided to the Station by the College.

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

	<u>FY12</u>	<u>FY11</u>
Local support	\$ 129,300	\$ 94,728
Corporation for Public Broadcasting	20,580	89,396
Underwriting	519,716	384,162
Donated support	<u>317,497</u>	<u>380,629</u>
Total operating revenues	<u>987,093</u>	<u>948,915</u>
Program services	562,614	610,916
Support services	<u>530,285</u>	<u>598,769</u>
Total operating expenses	<u>1,092,899</u>	<u>1,209,685</u>
Operating (loss)	<u>(105,806)</u>	<u>(260,770)</u>
Nonoperating revenues and transfers		
Transfers	81,397	243,769
Interest on Investments	<u>19</u>	<u>51</u>
Net nonoperating revenues and transfers	<u>81,416</u>	<u>243,820</u>
(Decrease) in net assets	(24,390)	(16,950)
Net assets, beginning of year	<u>97,443</u>	<u>114,393</u>
Net assets, end of year	\$ <u>73,053</u>	\$ <u>97,443</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 slight improvement in the national and regional economies has impacted the Radio Station’s operating revenues as concert ticket sales have increased. During FY 12 the Station saw revenues from Underwriting (concert promotions) increase by \$135,554 (a 35% increase) for a total of \$519,716. As the national economy continues its slow recovery, consumer demand for concerts has also rebounded. Concert goers are more focused on smaller events (with lower ticket prices), and the Station has responded by promoting only one major concert while adding several smaller events.

Operating Revenues were up \$38,178 in fiscal year 2012 totaling \$987,093. Expenditures in fiscal year 2012 were down at \$1,092,899 compared to \$1,209,685 in fiscal year 2011. Local Support is up 36% versus fiscal year 2011. CPB funding was reduced 77% resulting from findings during the CPB review in the prior year. As mentioned earlier, Underwriting Revenues increased by 35% or \$135,554 as companies stepped up promotions and concert attendance picked up. Finally, Donated Professional Services and Programs were lower due to decreased costs of services 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 \$81,397. 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 reduction in CPB funding, the popularity of the Radio Station with listeners continues to increase. Ratings are strong and the Radio Station's key demographic, males 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	2012	2011
CURRENT ASSETS		
Investments	\$ 37,252	\$ 37,230
Accounts receivable	35,800	24,181
Prepaid expenses	4,925	14,774
Due from Iowa Western Community College	—	10,229
Total current assets	77,977	86,414
CAPITAL ASSETS		
Buildings and fixed equipment	20,682	20,682
Other structure and improvements	166,248	166,248
Furniture, machinery and equipment	508,018	508,018
Total	694,948	694,948
Less accumulated depreciation	621,895	597,505
Capital assets, net	73,053	97,443
Total assets	151,030	183,857
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	2,730	28,353
Salaries payable	20,229	14,837
Payroll taxes and employee benefits payable	3,078	2,404
Deferred revenue	30,240	40,820
Due to Iowa Western Community College	21,700	—
Total current liabilities	77,977	86,414
NET ASSETS		
Invested in capital assets	\$ 73,053	\$ 97,443

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>2012</u>	<u>2011</u>
OPERATING REVENUES		
Local support	\$ 129,300	\$ 94,728
Corporation for Public Broadcasting support	20,580	89,396
Underwriting	502,736	377,842
Underwriting, trade	16,980	6,320
Donated professional services and programs	311,822	371,254
Donated material and supplies	5,675	9,375
Total operating revenues	<u>987,093</u>	<u>948,915</u>
OPERATING EXPENSES		
Program services		
Programming and production	175,395	199,045
Broadcasting	314,228	361,632
Program information	72,991	50,239
	<u>562,614</u>	<u>610,916</u>
Support services		
Management and general	230,566	298,981
Fundraising and membership development	74,640	71,632
Underwriting and grant solicitation	200,689	204,918
Depreciation expense	24,390	23,238
	<u>530,285</u>	<u>598,769</u>
Total operating expenses	<u>1,092,899</u>	<u>1,209,685</u>
OPERATING LOSS	<u>(105,806)</u>	<u>(260,770)</u>
NONOPERATING REVENUE AND TRANSFERS		
Transfers from Iowa Western Community College	81,397	243,769
Interest on investments	19	51
Net nonoperating revenue and transfers	<u>81,416</u>	<u>243,820</u>
DECREASE IN NET ASSETS	(24,390)	(16,950)
NET ASSETS		
Beginning of year	<u>97,443</u>	<u>114,393</u>
End of year	<u>\$ 73,053</u>	<u>\$ 97,443</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>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Local support	\$ 129,300	\$ 94,728
Corporation for Public Broadcasting	20,580	89,396
Underwriting	480,537	403,813
Programming and production	(103,247)	(143,524)
Broadcasting	(225,348)	(253,765)
Program information	(58,881)	(29,135)
Management and general	(156,560)	(172,871)
Fundraising and membership development	(54,430)	(45,042)
Underwriting and grant solicitation	<u>(145,274)</u>	<u>(136,235)</u>
Net cash used in operating activities	<u>(113,323)</u>	<u>(192,635)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments and transfers from Iowa Western Community College	113,323	198,923
Acquisitions of capital assets	<u>—</u>	<u>(6,288)</u>
Net cash provided by capital and related financing activities	<u>113,323</u>	<u>192,635</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 (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ <u>(105,806)</u>	\$ <u>(260,770)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities		
Depreciation expense	24,390	23,238
Changes in assets and liabilities		
Accounts receivable	(11,619)	15,391
Prepaid expenses	9,849	(10,574)
Accounts payable	(25,623)	27,231
Salaries payable	5,392	1,705
Payroll taxes payable	674	564
Deferred revenue	<u>(10,580)</u>	<u>10,580</u>
Total adjustments	<u>(7,517)</u>	<u>68,135</u>
Net cash used in operating activities	<u>\$ (113,323)</u>	<u>\$ (192,635)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest income reinvested	<u>\$ 19</u>	<u>\$ 51</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 public, 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, 2012 and 2011 was \$1,620 and \$3,330, 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 Materials, Contributed Services and Use of Facilities

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, 2012 and 2011 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, 2012 and 2011 which are valued at cost of \$37,252 and \$37,230, 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, 2012 is as follows:

	<u>July 1, 2011</u> <u>balance</u>	<u>Additions</u>	<u>June 30, 2012</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>508,018</u>	<u>—</u>	<u>508,018</u>
Total capital assets being depreciated	<u>694,948</u>	<u>—</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>410,575</u>	<u>24,390</u>	<u>434,965</u>
Total accumulated depreciation	<u>597,505</u>	<u>24,390</u>	<u>621,895</u>
Capital assets, net	<u>\$ 97,443</u>	<u>\$ (24,390)</u>	<u>\$ 73,053</u>

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>

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

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 \$79,845 for the year ended June 30, 2012 and \$78,287 for the year ended June 30, 2011. 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>
2013	\$ 82,237
2014	84,704
2015	<u>28,511</u>
Total	<u>\$ 195,452</u>

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 5.38% (5.78% after July 1, 2012) of their annual covered salary and the Radio Station is required to contribute 8.07% (8.67% after July 1, 2012) 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, 2012 and 2011 were \$4,846 and \$5,674, 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 5.38% (5.78% after July 1, 2012) and the Radio Station is required to contribute 8.07% (8.67% after July 1, 2012). The Radio Station's required and actual contributions to TIAA-CREF for the years ended June 30, 2012 and 2011 were \$21,703 and \$17,014, respectively. The employees' required and actual contributions to TIAA-CREF for the years ended June 30, 2012 and 2011 were \$15,534 and \$11,994, respectively.

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

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 \$311,822 and \$371,254 for the years ended June 30, 2012 and 2011, respectively, is included in revenues under donated professional services and programs. The expense is allocated among the program and supporting services.

For the year ended June 30, 2012, the Radio Station owed the College \$21,700 for administration support, and at June 30, 2011, the Radio Station had \$10,229 due from the College for administration support.

KIWR-FM Radio
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
Year ended June 30, 2012

	Program services				Support services					Total
	Programming and production	Broadcasting	Program information	Total program services	Management and general	Fundraising and membership development	Underwriting and grant solicitation	Depreciation expense	Total support services	
OPERATING EXPENSES										
Salaries, related payroll costs and fringe benefits	\$ 91,057	\$ 130,749	\$ 21,013	\$ 242,819	\$ 119,076	\$ 23,348	\$ 81,718	\$ —	\$ 224,142	\$ 466,961
Professional services	—	—	30,791	30,791	—	20,527	51,318	—	71,845	102,636
Printing and reproduction services	—	302	303	605	1,206	603	603	—	2,412	3,017
Communications	—	307	—	307	716	—	—	—	716	1,023
Utilities	—	13,475	—	13,475	3,369	—	—	—	3,369	16,844
Equipment rental	—	79,845	—	79,845	—	—	—	—	—	79,845
Postage	—	—	389	389	—	1,362	195	—	1,557	1,946
Group meeting	—	—	—	—	576	—	384	—	960	960
Other services	10,356	1,295	—	11,651	1,295	—	—	—	1,295	12,946
Materials and supplies	1,701	—	1,701	3,402	6,804	—	6,804	—	13,608	17,010
Minor equipment	—	—	—	—	4,225	—	—	—	4,225	4,225
Periodicals	—	524	—	524	131	—	—	—	131	655
Building and construction materials	—	211	—	211	—	—	—	—	—	211
Vehicle supplies	—	—	1,698	1,698	425	—	—	—	425	2,123
Out of state travel	1,995	—	—	1,995	2,792	1,595	1,595	—	5,982	7,977
In state travel	419	210	210	839	210	419	629	—	1,258	2,097
Purchases for resale	—	—	2,855	2,855	—	6,663	—	—	6,663	9,518
Bad debts	—	—	—	—	—	—	1,710	—	1,710	1,710
Sales tax	—	—	—	—	1,164	—	1,164	—	2,328	2,328
Depreciation	—	—	—	—	—	—	—	24,390	24,390	24,390
Indirect administration	60,805	87,310	14,031	162,146	79,515	15,592	54,569	—	149,676	311,822
Donated personal services of volunteers	9,062	—	—	9,062	9,062	4,531	—	—	13,593	22,655
Total operating expenses	\$ 175,395	\$ 314,228	\$ 72,991	\$ 562,614	\$ 230,566	\$ 74,640	\$ 200,689	\$ 24,390	\$ 530,285	\$1,092,899

See accompanying independent auditor's report.

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.

**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, 2012, and have issued our report thereon dated December 4, 2012. 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

Management of KIWR-FM Radio is responsible for establishing and maintaining effective 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
December 4, 2012