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July 7, 2009

Board of Directors  
Whitewater Community Television, Inc.  
2325 Chester Blvd.  
Richmond, IN 47374

We have reviewed the audit report prepared by Webb & Associates, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Whitewater Community Television, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The management letter contains five comments.

STATE BOARD OF ACCOUNTS

**WHITEWATER COMMUNITY  
TELEVISION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Whitewater Community Television, Inc.  
Richmond, Indiana 47374

We have audited the accompanying statement of financial position of Whitewater Community Television, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Whitewater Community Television, Inc. as of December 31, 2006 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 2, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitewater Community Television, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Webb & Associates*

WEBB & ASSOCIATES

October 13, 2008

**WHITEWATER COMMUNITY TELEVISION, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2007 and 2006

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 139,703	\$ 124,898
Indiana University Reserve	20,086	16,563
Accounts Receivable	7,140	0
Prepaid Expenses	753	451
	167,682	141,912
<b>TOTAL CURRENT ASSETS</b>		
 <b>FIXED ASSETS</b>		
Equipment	348,463	333,162
Less: Accumulated Depreciation	(299,591)	(278,694)
	48,872	54,468
<b>NET FIXED ASSETS</b>		
 <b>TOTAL ASSETS</b>	 \$ 216,554	 \$ 196,380

**LIABILITIES AND NET ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,292	\$ 2,125
Accrued Vacation Pay	4,323	7,731
	5,615	9,856
<b>TOTAL CURRENT LIABILITIES</b>		
 <b>NET ASSETS</b>		
Unrestricted	210,939	186,524
	210,939	186,524
<b>TOTAL NET ASSETS</b>		
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 \$ 216,554	 \$ 196,380

SEE INDEPENDENT AUDITOR'S REPORT  
AND NOTES TO FINANCIAL STATEMENTS

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUE AND SUPPORT</b>		
Special Events		
Revenue	\$ 2,429	\$ 1,414
Direct Costs	(703)	(977)
	1,726	437
Franchise Fees	190,207	186,093
Capital Equipment Grant	14,801	14,232
Production Services	10,350	5,305
Contributions and Grants	12,530	13,027
In-kind Contributions	29,100	29,100
Memberships	7,860	7,685
Duplication	3,215	1,764
Class Fees	150	570
Miscellaneous	1,683	457
Sponsorships	2,100	2,620
Interest Income	5,619	5,348
	279,341	266,638
<b>TOTAL REVENUE AND SUPPORT</b>		
 <b>EXPENSES</b>		
Program	179,836	170,617
Management and General	73,588	73,269
Fund Raising	1,502	1,448
	254,926	245,334
<b>TOTAL EXPENSES</b>		
 INCREASE IN UNRESTRICTED NET ASSETS	 24,415	 21,304
NET ASSETS AT BEGINNING OF YEAR	186,524	165,220
NET ASSETS AT END OF YEAR	\$ 210,939	\$ 186,524

SEE INDEPENDENT AUDITOR'S REPORT  
AND NOTES TO FINANCIAL STATEMENTS

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2007 and 2006**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Totals for 2007</u>	<u>Totals for 2006</u>
Salaries	\$ 84,336	\$ 41,513	\$ 1,107	\$ 126,956	\$ 125,298
Fringe Benefits	12,042	5,927	158	18,127	15,340
Payroll Taxes	5,985	3,176	85	9,246	8,409
Retirement Benefits	17,540	4,151	111	21,802	19,419
Office Rental - In-kind	27,531	1,528	41	29,100	29,100
Telephone	0	3,587	0	3,587	3,608
Insurance	720	2,769	0	3,489	4,018
Legal and Professional	0	6,585	0	6,585	6,170
License and Permits	115	271	0	386	244
Dues and Subscriptions	115	0	0	115	115
Printing and Publications	331	0	0	331	1,188
Supplies and Postage	6,551	1,754	0	8,305	7,943
Repairs and Maintenance	3,673	0	0	3,673	2,951
Depreciation	20,897	0	0	20,897	18,048
Travel and Meals	0	94	0	94	90
Professional Development	0	70	0	70	0
Advertising	0	1,265	0	1,265	1,799
Website Development	0	300	0	300	600
Volunteer Program	0	477	0	477	465
Miscellaneous	0	121	0	121	529
<b>TOTAL EXPENSES</b>	<b>\$ 179,836</b>	<b>\$ 73,588</b>	<b>\$ 1,502</b>	<b>\$ 254,926</b>	<b>\$ 245,334</b>

SEE INDEPENDENT AUDITOR'S REPORT  
AND NOTES TO FINANCIAL STATEMENTS

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in Net Assets	\$ 24,415	\$ 21,304
<b>ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	20,897	18,048
(Increase) Decrease in Indiana University Reserve	(3,523)	1,759
Increase in Accounts Receivable	(7,140)	0
(Increase) Decrease in Prepaid Insurance	(302)	467
(Decrease) Increase in Accounts Payable	(833)	1,900
Decrease in Accrued Expenses	(3,408)	(8,933)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>30,106</u>	<u>34,545</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Equipment	<u>(15,301)</u>	<u>(15,843)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(15,301)</u>	<u>(15,843)</u>
<b>NET INCREASE IN CASH</b>	14,805	18,702
<b>CASH BEGINNING OF YEAR</b>	<u>124,898</u>	<u>106,196</u>
<b>CASH END OF YEAR</b>	<u>\$ 139,703</u>	<u>\$ 124,898</u>

SEE INDEPENDENT AUDITOR'S REPORT  
AND NOTES TO FINANCIAL STATEMENTS

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note #1 - Summary of Significant Accounting Policies**

**Nature of Operations**

Whitewater Community Television, Inc. (WCTV) was incorporated as a not-for-profit organization on April 7, 1988, under the laws of the state of Indiana. The organization was created to provide a public, educational and government access television center to the residents of Wayne County, Indiana at no cost to the public. WCTV is primarily supported by franchise fees from the City of Richmond, Indiana and Wayne County.

The financial statements of WCTV have been prepared on the accrual basis. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

**Net Asset Classifications**

The financial statements have been prepared in accordance with the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. SFAS No. 117 requires that the financial statements report information regarding its financial position and activities according to three classes of net assets:

1. Unrestricted - expendable funds for current operations.
2. Temporarily restricted - funds temporarily restricted as to program purpose or time restrictions by the donor. WCTV does not have any temporarily restricted assets.
3. Permanently restricted - funds restricted by the donor that stipulates resources be maintained permanently but permits the organization to use part or all of the income derived from the donated assets. WCTV does not have any permanently restricted net assets.

**Support and Revenue**

WCTV reports assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same reporting period in which the contribution is received, WCTV reports the contribution as unrestricted support.

**Cash and Cash Equivalents**

WCTV considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash consists of bank deposits in federally insured accounts and petty cash. WCTV had no cash equivalents at December 31, 2007 and 2006.

**Indiana University Reserve**

WCTV employee related expenses and other selected expenses are administered by Indiana University and then reimbursed by WCTV. The reserve represents the net cash amount on hand held by Indiana University as of December 31, 2007 and 2006.

**Property and Equipment**

WCTV capitalizes all expenditures for equipment in excess of \$500 and a useful life of one year or longer. Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets, ranging from five to seven years. Routine repairs and maintenance are expensed when incurred.

Upon the sale of equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in current revenues.

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note #1 - Summary of Significant Accounting Policies (continued)**

**Donated Property and Equipment**

WCTV reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. WCTV reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, as instructed by the donor. WCTV reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**In-Kind Contributions**

In addition to receiving cash contributions, WCTV receives usage of furnished office space from Indiana University East. The value of these in-kind contributions included in the financial statements and the corresponding expenses is \$29,100 and \$29,100 for the years ended December 31, 2007 and 2006.

**Financial Estimates**

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimated.

**Income Taxes**

WCTV is exempt from income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code and is not considered to be a private foundation.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising**

WCTV uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$1,265 and \$1,799 for the years ending December 31, 2007 and 2006.

**Receivables and Payables**

Receivables and payables are shown in the statement of financial position. All are considered current.

**Prior Year Amounts**

The amounts shown for December 31, 2006 in the accompanying financial statements are presented to provide a basis for comparison with December 31, 2007.

**Note #2 - Concentration of Credit Risk**

Financial instruments, which potentially subject WCTV to concentrations of credit risk, as defined by FASB Statement of Financial Accounting Standard No. 105, consist of cash. The Organization maintains its cash in various bank deposit accounts, which, at times, may exceed federally insured limits. The Organization maintained a cash balance at a financial institution in excess of FDIC insurance limits of \$33,428 and \$17,800 as of December 31, 2007 and 2006.

**WHITEWATER COMMUNITY TELEVISION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note #3 - Concentration of Support and Schedule of Awards**

The following support is a direct result of franchise fees paid by Insight Communications and represents approximately 73.39% and 75.13% of WCTV's total revenue and support for the years ended December 31, 2007 and 2006.

	<u>Franchise Fees</u>	<u>Equipment Grants</u>	<u>Total</u>
December 31, 2007			
City of Richmond Indiana	\$ 170,207	\$ 14,801	\$ 185,008
Wayne County	<u>20,000</u>	<u>0</u>	<u>20,000</u>
	<u>\$ 190,207</u>	<u>\$ 14,801</u>	<u>\$ 205,008</u>
December 31, 2006			
City of Richmond Indiana	\$ 166,093	\$ 14,232	\$ 180,325
Wayne County	<u>20,000</u>	<u>0</u>	<u>20,000</u>
	<u>\$ 186,093</u>	<u>\$ 14,232</u>	<u>\$ 200,325</u>

**Note #4 - Pension Plan**

Plan contribution expenses for the years ended December 31, 2007 and 2006 were \$21,802 and \$19,419. Descriptions of the various plans are summarized below.

**Support and Service Staff**

WCTV offers all salaried non-professional employees that are at least 50% full-time equivalent employees a two-part retirement plan. Plan contributions are coordinated by Indiana University. The Plan falls under the umbrella of the Indiana Public Employees Retirement Fund (PERF). The Plan consists of two parts. The first part is a defined benefit for eligible employees where contributions vest when at least 10 years of service have been achieved. The second part is an annuity savings account where vesting is immediate. As currently offered, both parts are 100% funded by the employer, with rates established by the State of Indiana. The contribution rate for the year ended December 31, 2007 and 2006 for WCTV eligible employees was 7.05% and 7.05%.

**Professional Staff**

WCTV, through Indiana University, maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers professional staff that are 50% or more full-time equivalent employees of the Organization. The Organization contributes 10% of base salary for employees hired on or after July 1, 1999. For employees enrolled prior to July 1, 1999, but after July 1, 1989, the contribution rate is 11.25%. There is no waiting period for new employees to enroll in the Plan, and participants are immediately 100% vested in the funds contributed on their behalf.

**Optional Tax Deferred Annuity**

WCTV offers an additional tax deferred annuity plan to employees meeting the eligibility requirements for either of the Plans described above. Employees may elect to defer from 10% up to 100% of his or her compensation each year up to the maximum allowed by the Internal Revenue Code. Participants are 100% vested in his or her account balance.

WHITEWATER COMMUNITY TELEVISION, INC.  
NOTES TO FINANCIAL STATEMENTS

Note #5 - Leases

WCTV leases approximately 2,600 square feet from Indiana University for operational space. The lease is part of an overall contract with Indiana University that also includes certain personnel services being provided. The contract is valid indefinitely, although either party may terminate it in whole or in part with 60 days prior written notice. Indiana University has agreed to waive all lease payments for WCTV. Management estimates the fair market value of the space to be \$29,100 per annum.

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TELEPHONE (765) 962-3524

October 13, 2008

To the Board of Directors of  
Whitewater Community Television, Inc.  
2325 Chester Boulevard  
Richmond, Indiana 47374

We have audited the financial statements of the Whitewater Community Television, Inc., for the year ended December 31, 2007, and have issued our report thereon dated October 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Planned Scope and Timing of the Audit

We did not perform the audit according to the planned scope and timing previously communicated to you in our audit bid. The audit was to be finished by the July board meeting. We did not get started on it until June 24, 2008.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Whitewater Community Television, Inc. are described in Note #1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing the audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occur in the normal course of our professional relationship and our responses are not a condition to our retention.

Last year there was a recommendation to formalize an agreement between WCTV and the City of Richmond. This still needs to be done. If it has been done, then we need a copy for our files.

Last year there was a recommendation for the need of a formal accounting manual documenting the procedures for fiscal operations. This still needs to be done. If it has been done, then we need a copy for our files. The manual should contain such items as how to pay invoices, how to maintain accounts receivable and accounts payable records, the payroll procedure, the petty cash procedure and how to prepare deposits.

When performing the audit we found that documentation got better as the year progressed, especially after the recommendation from the previous auditors. However some additional steps could be taken:

1. Make sure there is documentation for all deposits and payments and that it is filed under the appropriate month.
2. Indicate on the original invoice that the invoice has been approved for payment, the date paid, and the check number.
3. Record all the deposits on the petty cash sheet and add a column for date deposited.

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors continues to remain involved in the financial affairs of the organization to provide oversight and independent review functions.

This information is intended solely for the use the Board of Directors and management of the Whitewater Community Television, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Webb & Associates*

WEBB & ASSOCIATES