

**KNCT-TV AND KNCT-FM**

**OPERATING SEGMENTS OF THE  
CENTRAL TEXAS COLLEGE DISTRICT**

**COMBINED FINANCIAL STATEMENTS**

**August 31, 2019 and August 31, 2018**

**KNCT-TV AND KNCT-FM**  
**OPERATING SEGMENTS OF THE**  
**CENTRAL TEXAS COLLEGE DISTRICT**  
**COMBINED FINANCIAL STATEMENTS**  
**August 31, 2019 and August 31, 2018**

Independent Auditors Report on the Financial Statements	1-2
Management discussion and Analysis	3-6
Basic Financial Statements:	
Combined Statements of Net Position	7
Combined Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10-11



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783  
POST OFFICE BOX 160 800/460/4783  
TEMPLE, TEXAS 76503 FAX 254/778/4792

KILLEEN • COPPERAS COVE • TEMPLE

*Member of  
American Institute & Texas Society of  
Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Central Texas College District  
Killeen, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of KNCT-TV and KNCT-FM (operating segments of the Central Texas College District), as of and for the year ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KNCT-TV and KNCT-FM (operating segments of the Central Texas College District), as of August 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

  
Jott, Kewen & Co., P.C.  
Temple, Texas

January 29, 2020

## KNCT Public Broadcasting

### Management's Discussion and Analysis

#### **Introduction and Reporting Entity**

The following discussion and analysis is an overview of the financial position and activities of KNCT Public Telecommunications for the years ended August 31, 2019 and 2018. Management of the station prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KNCT formally broadcasted on both a full-powered public television station and a full-power FM non-commercial radio station. In the year of 2018 the College Board of Trustees voted to not participate in Federal Communications Commission mandate to move the station from UHF Channel 46 to Channel 17. The Board then decided to cease over the air television broadcasting effective August 31, 2018. During Fiscal Year 2019 KNCT sold TV Licenses rights for \$485,250.90 recorded as other Income.

KNCT, under licensee owner Central Texas College District, now operates solely as a full power FM non-commercial radio station.

KNCT-FM, a full power FM non-commercial radio station is owned and operated by Central Texas College District, a political subdivision of the state of Texas. The college is governed by a Board of Trustees who are elected by voters in the college district. The station began operation in November 1970 to serve central Texas residents with quality non-commercial educational programming.

KNCT-FM operates with an effective radiated power of 50,000 watts with an antenna height of 1,000 feet. The radio service enjoys a large coverage area of an approximate 100 mile radius with internet streaming of its programming for worldwide coverage.

The radio station provides programming for persons over age 50. It is the only local radio station to do so and has enjoyed success and membership support for its efforts. The station produces a weekly 6 hour big band music show. The station carries a weekly program for local news information for senior citizens. In addition the station is the only station under local ownership in the Killeen-Temple market.

KNCT-FM is committed to local program production which includes news and information on prevention and safety warnings for listeners as well as community events for non-profit organizations in local areas. The station is committed to serving the military community as Killeen, Texas is home to Ft. Hood, one of the largest military installations in the United States. KNCT-FM partners with the Center Director of Fort Hood's USO to inform our listeners of weekly events and programs designed to assist

soldiers, veterans, and their family members. The station promotes wellness clinics that offer free healthcare for children in the area and animal shelters that need help finding homes for our four-legged friends. When commercial radio stations ceased broadcast of local high school sports, KNCT became the only outlet to provide live play by play of all Killeen High Schools. This will mark the 40<sup>th</sup> year the station has broadcast local KISD games.

The radio station installed a new digital transmitter and has begun HD radio broadcasts. A second full time channel was added in the in mid-2015 and provides a 24 hour classical music service.

The station operates within a modest budget structure. The radio station is supported by membership contributions and corporate funding and an annual grant from Corporation for Public Broadcasting (CPB).

The station relies on a variety of revenue sources which include tower facilities rental, production services and use of its facilities for academic activities and an annual grant from the Corporation for Public Broadcasting.

### **Overview of the Financial Statements**

The financial statements of KNCT consist of the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis – for Public Colleges and Universities.

The Combined Statement of Net Position includes Assets, Liabilities and Net Position as of August 31, 2019 and 2018. This statement is classified into Current and Non-Current Assets and Current Liabilities, with Net Position classified in the categories as noted above. The Combined Statement of Revenues, Expenses and Changes in Net Position depicts the operating revenues and expenses resulting in Net Operating Income (Loss), which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Position. The Statement of Cash Flows shows the sources and uses of cash from operations, cash flows from non-capital financing activities, cash flows from capital and related financing activities and cash flows from investing activities. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### **Financial Highlights**

The financial position of KNCT remains stable as of August 31, 2019. Combined Net Position totaled \$180,107 for the year ended August 31, 2019 (FY 2019) and \$(183,855) for the year ended August 31, 2018 (FY 2018). KNCT's Combined Net Position increased by \$363,962 in FY 2019 compared to a decrease in Combined Net Position for

FY 2018 of \$(1,092,929). Operating Revenues totaled \$1,067,746 in FY 2019 compared to \$1,969,578 in FY 2018. Operating and Support Service Expenses totaled \$245,223 and \$458,561 respectively in FY2019 compared to \$1,453,980 and \$1,608,527 in FY 2018. The Combined Net Operating gain for FY 2019 was \$363,962 which included non-cash depreciation expense of \$56,961 while the Combined Net Operating loss for FY 2018 was \$1,092,929 which included non-cash depreciation expense of \$171,624.

### Financial Analysis of Statements

KNCT condensed financial statements are presented below for FY 2019 and 2018.

#### Condensed Combined Statement of Net Position

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	36,451	5,901
Property and equipment, net	981,303	1,044,288
Other Non-Current	<u>0</u>	<u>0</u>
Total Assets	<u>1,017,754</u>	<u>1,050,189</u>
Liabilities		
Current Liabilities	<u>837,647</u>	<u>1,234,044</u>
Total Liabilities	<u>837,647</u>	<u>1,234,044</u>
Net Position		
Unrestricted	(801,196)	(1,228,143)
Invested In Capital	<u>981,303</u>	<u>1,044,288</u>
Total Net Position	<u><u>180,107</u></u>	<u><u>(183,855)</u></u>

#### Condensed Combined Statement of Revenues, Expenses and Changes in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues	1,067,746	1,969,578
Operating Expenses	(245,223)	(1,453,980)
Support Services Expenses	<u>(458,561)</u>	<u>(1,608,527)</u>
Decrease in net Position	363,962	(1,092,929)
Net Position-Beginning of Year	<u>(183,855)</u>	<u>909,074</u>
Net Position-End of Year	<u><u>180,107</u></u>	<u><u>(183,855)</u></u>

**Condensed Statement of Cash Flows**

	<u>2019</u>	<u>2018</u>
Net cash flows from operating activities	235,584	(371,230)
Net cash flows from investing activities	<u>0</u>	<u>0</u>
Net increase (decrease) in cash	<u>235,584</u>	<u>(371,230)</u>
Cash at beginning of year	<u>(1,064,156)</u>	<u>(692,926)</u>
Cash at end of year	<u>(828,572)</u>	<u>(1,064,156)</u>

Current Assets consist primarily of cash, account receivable, broadcasting rights-short term and prepaid expenses. Non-Current Assets consist primarily of property and equipment and long-term broadcasting rights. Property and equipment presented net of accumulated depreciation of \$981,303 and \$1,044,288 at August 31, 2019 and 2018, respectively. Current liabilities consist of a cash overdraft and accounts payable and accrued expenses.

Operating Revenues consist of contributions, subscription and membership income and grants from CPB. Expenses consist of operating expenses which are programming, production and broadcasting and from support services which consist of fundraising, management and depreciation.

**Request for Information**

This financial report is designed to provide donors, members and taxpayers with a general overview of KNCT Public Telecommunications finances and to account for the funding it receives. It is also intended to help the reader better understand the changes in the financial statement format. Additional details can be requested by mail at the following address:

KNCT Public Telecommunications  
6200 West Central Texas Expressway  
Killeen, TX 76540



KNCT-TV & KNCT-FM  
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)  
Combined Statement of Net Position  
August 31, 2019 and August 31, 2018

	Current Year Primary Institution	Prior Year Primary Institution
Assets		
Current Assets		
Cash	\$ -	\$ -
Accounts Receivable(Net of Allowance)	36,451	5,901
Broadcasting Rights-Short Term	-	-
Prepaid Expenses	-	-
Total Current Assets	<u>36,451</u>	<u>5,901</u>
Noncurrent Assets		
Building & Leasehold Improvements	2,272,019	2,272,019
Broadcasting Rights-Long Term	-	-
Capital Assets	3,886,319	3,892,343
Accumulated Depreciation	(5,177,035)	(5,120,074)
Total Noncurrent Assets	<u>981,303</u>	<u>1,044,288</u>
Total Assets	<u>\$ 1,017,754</u>	<u>\$ 1,050,189</u>
Liabilities		
Current Liabilities		
Cash Overdraft	828,572	1,064,156
Accounts Payable & Accrued Expenses	9,075	169,888
Deferred Support & Revenues	-	-
Total Current Liabilities	<u>837,647</u>	<u>1,234,044</u>
Total Liabilities	<u>\$ 837,647</u>	<u>\$ 1,234,044</u>
Net Position		
Unrestricted	(801,196)	(1,228,143)
Invested in Capital Assets	981,303	1,044,288
Total Net Position	<u>\$ 180,107</u>	<u>\$ (183,855)</u>

The accompanying notes are an integral part of the financial statements.

KNCT-TV & KNCT-FM  
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)  
Combined Statement of Revenues, Expenses and Changes in Net Position  
For the year ended August 31, 2019 and August 31, 2018

	<u>Current Year Primary Institution</u>	<u>Prior Year Primary Institution</u>
Revenues		
Operating Revenues		
Contributions	\$ 209,630	\$ 1,227,412
Gifts & Donations	-	-
Subscription and Membership Income	194,326	251,290
Auction	-	-
Community Service Grants from Corporation for Public Broadcasting	72,313	395,901
State Grant	-	-
Local Grant	-	-
Federal Grant	-	-
Telecasting, Production and Other Income	591,477	94,975
Total Operating Revenues	<u>1,067,746</u>	<u>1,969,578</u>
Expenses		
Operating Expenses		
Program Services -		
Programming and Production	59,991	1,050,547
Broadcasting	185,232	403,433
Program Information	-	-
	<u>245,223</u>	<u>1,453,980</u>
Supporting Services -		
Fund Raising and Membership Development:		
Fund Raising	91,713	136,977
Management and General	309,887	1,299,926
Gain/Loss on Disposal	-	-
Depreciation Expense	56,961	171,624
Other non-operating	-	-
	<u>458,561</u>	<u>1,608,527</u>
Total Expenses	<u>703,784</u>	<u>3,062,507</u>
Increase(Decrease) in Net Position	363,962	(1,092,929)
Net Position - Beginning of Year	<u>(183,855)</u>	<u>909,074</u>
Net Position - End of Year	<u>\$ 180,107</u>	<u>\$ (183,855)</u>

The accompanying notes are an integral part of the financial statements.

KNCT-TV & KNCT-FM  
(OPERATING SEGMENTS OF THE CENTRAL TEXAS COLLEGE DISTRICT)  
Statement of Cash Flows  
For the year ended August 31, 2019 and August 31, 2018

	Current Year Primary Institution	Prior Year Primary Institution
	<u>                    </u>	<u>                    </u>
Cash flows from operating activities:		
Excess of support and revenues over(under) expenditures	\$ 363,962	\$ (1,092,929)
Adjustments to reconcile excess of support and revenues over(under) expenditures		
Changes in assets and liabilities affected by operating activities:		
Accounts receivable	(30,550)	8,847
Prepaid expense	-	-
Broadcasting rights-Current	-	241,946
Broadcasting rights-Long Term	-	96,115
Depreciation Expense	56,961	171,624
Gain/Loss on Disposal of Property and Equipment	6,024	120,181
Accounts payable and accrued expenses	(160,813)	82,986
	<u>                    </u>	<u>                    </u>
Net cash provided by (used in) operating activities	<u>235,584</u>	<u>(371,230)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	-	-
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	<u>                    </u>	<u>                    </u>
Increase in cash	235,584	(371,230)
Cash at beginning of year	(1,064,156)	(692,926)
Cash at end of year	<u>\$ (828,572)</u>	<u>\$ (1,064,156)</u>

The accompanying notes are an integral part of the financial statements.

**KNCT-TV AND KNCT-FM**  
**(Operating Segments of the Central Texas College District)**

**NOTES TO FINANCIAL STATEMENTS**

**Summary of Significant Accounting Policies**

Central Texas College District (the District) maintains two operating segments which function as non-commercial public television (KNCT-TV) and public FM radio (KNCT-FM) stations in Killeen, Texas. The Stations maintain their accounting records in conformity with the Principles of Accounting and Financial Reporting for Public Telecommunications Entities mandated by the Corporation for Public Broadcasting.

The Districted adopted two new GASB statements in fiscal year 2013. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was effective for financial statement periods beginning after December 15, 2011, established reporting standards for deferred outflows and inflows and changed the presentation and titles of the financial statements accordingly.

For fiscal year 2013 the District adopted GASB 65, Items Previously Reported as Assets and Liabilities, which is effective for financial statement periods beginning after December 15, 2012. This statement established accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows and deferred inflows.

**Basis of Accounting**

The Financial Statements are recorded on an accrual basis.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

**Revenue Recognition**

Unrestricted contributions and pledges are recorded as revenue in the financial statements when received. Contributions restricted for the acquisition of property and equipment or other capital improvements are reported on the balance sheet as deferred support until the funds are expended.

**Broadcast Facilities and Equipment**

Broadcast facilities and equipment are recorded at cost or, in the case of donated facilities and equipment, at their appraised value as of the date of receipt.

**Broadcasting Rights**

Expenses are recognized over a three year period using an allocation formula based on estimated replacement cost of the programs.

**Indirect Administrative Support**

Indirect administrative support totaling \$161,257 and \$865,147 as of August 31, 2019 and August 31, 2018 has been included in both contribution revenue and management and general expenses. This amount represents allocations of cost incurred by the District which have been derived in accordance with the guidelines established by the Corporation for Public Broadcasting in its Handbook of Instructions.

**Contributions**

This amount represents indirect cost recoveries and cash contributed by the College in support of this public service.

KNCT-TV AND KNCT-FM  
(Operating Segments of the Central Texas College District)

NOTES TO FINANCIAL STATEMENTS

**Capital Assets**

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The KNCT TV/FM reports depreciation under a single-line item as a business-type unit. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. The following lives are used:

Buildings	50 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years

Capital assets activity for the year ended August 31, 2019 and August 31, 2018 was as follows:

	<u>Balance as of September 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of August 31, 2019</u>
Building & Leasehold Improvements	\$ 2,272,019	\$ -	\$ -	\$ 2,272,019
Capital Assets	3,892,343	-	(6,024)	3,886,319
Accumulated Depreciation	<u>(5,120,074)</u>	(56,961)	1	<u>(5,177,035)</u>
Net Capital Assets	<u>\$ 1,044,288</u>			<u>\$ 981,303</u>
	<u>Balance as of September 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance as of August 31, 2018</u>
Building & Leasehold Improvements	\$ 2,410,852	\$ -	\$ (138,833)	\$ 2,272,019
Capital Assets	4,044,905	-	(152,562)	3,892,343
Accumulated Depreciation	<u>(5,119,664)</u>	(171,624)	171,214	<u>(5,120,074)</u>
Net Capital Assets	<u>\$ 1,336,093</u>			<u>\$ 1,044,288</u>

KNCT TV sold: The Board decided to cease over the air television broadcasting effective August 31, 2018. During Fiscal Year 2019 KNCT sold TV Licenses rights for \$485,250.90 recorded as other Income.