

**KTXK-FM
TEXARKANA, TEXAS**

**ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED
AUGUST 31, 2020 AND 2019**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

**KTXK-FM
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AUGUST 31, 2020 AND 2019**

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Texarkana College,
as the governing body of KTXK-FM
Texarkana, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of KTXK-FM as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise KTXK-FM's 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KTXK-FM, as of August 31, 2020 and 2019, 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.

To the Board of Trustees of Texarkana College,
as the governing body of KTXK-FM

Emphasis of Matter

Departmental Financial Statements

As discussed in Note 1, the financial statements present only the financial position and activities of KTXK-FM and do not purport to, and do not, present fairly the financial position of Texarkana College as of August 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 5, the schedule of KTXK-FM's proportionate share of net pension liability on page 28, and the schedule of KTXK-FM's contributions on page 29 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2021, on our consideration of KTXK-FM'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 solely 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* in considering the KTXK-FM's internal control over financial reporting and compliance.



Certified Public Accountants

Texarkana, Texas
March 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

KTXK-FM
(A DEPARTMENT OF TEXARKANA COLLEGE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

The following discussion and analysis is an overview of the financial position and activities of KTXK-FM for the years ended August 31, 2020 and 2019. Management of KTXK-FM has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section.

KTXK-FM is a department of Texarkana College (a political subdivision of the State of Texas) and is governed by the Board of Trustees of Texarkana College, whose members are elected by the citizens of Bowie County, Texas.

KTXK-FM's primary function is to present national public radio news and to provide transmission of fine arts programming throughout the Southwest part of Arkansas and the Northeast Texas region.

Texarkana College is both the licensee and operator of KTXK-FM.

Overview of the Financial Statements

KTXK-FM's financial statements present the radio station in its entirety.

The financial statements of KTXK-FM consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These statements are prepared in conformity with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities* and as amended by GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The Statements of Net Position includes Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position of KTXK-FM as of August 31, 2020 and 2019. These statements are classified into Current and Non-Current Assets and Liabilities, with Net Position classified in the categories as noted above. The Statements of Revenues, Expenses and Changes in Net Position depict the operating revenues and expenses resulting in a Net Operating Loss, which is then combined with Non-Operating Revenues (Expenses) to provide the total Change in Net Position. The Statements of Cash Flows show the sources and uses of cash from operations, 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

KTXK-FM had decreases in net position of \$31,911 and \$2,513 during the years ended August 31, 2020 and 2019, respectively. This change included an operating transfer in from Texarkana College of \$111,820 and \$193,570 during the years ended August 31, 2020 and 2019, respectively. For the years ended August 31, 2020 and 2019, operating losses of \$143,731 and \$196,083 occurred before transfers in from Texarkana College.

Operating revenues were \$220,686 and \$238,510 at August 31, 2020 and 2019, respectively. The largest portion of that revenue included \$86,535 of Program Underwriting and \$94,881 of Corporation for Public Broadcasting (CPB) Grants for the year ended August 31, 2020.

KTXK-FM
(A DEPARTMENT OF TEXARKANA COLLEGE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

Financial Highlights (Continued)

Operating expenses were \$364,417 and \$434,593 at August 31, 2020 and 2019, respectively. The largest portion of expenses included \$216,205 for management and general and \$125,368 for programming and production.

Operating transfers from Texarkana College were \$111,820 and \$193,570 for the years ended August 31, 2020 and 2019, respectively.

KTXK-FM's capital assets, net of accumulated depreciation, totaled \$234,603 and \$258,519 at August 31, 2020 and 2019, respectively.

Financial Analysis of the Statements

KTXK-FM condensed financial statements are represented below for the fiscal years 2020 and 2019:

Condensed Statements of Financial Position

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 132,874	\$ 25,985
Non-Current Assets	234,603	258,519
Total Assets	<u>367,477</u>	<u>284,504</u>
Deferred outflows related to pensions:	<u>22,169</u>	<u>29,078</u>
Liabilities:		
Current Liabilities	127,302	16,699
Noncurrent Liabilities	56,293	63,401
Total Liabilities	<u>183,595</u>	<u>80,100</u>
Deferred inflows related to pensions:	<u>11,279</u>	<u>6,799</u>
Net Position:		
Invested in Capital Assets	234,603	258,519
Unrestricted net position (deficit)	<u>(39,831)</u>	<u>(31,836)</u>
Total Net Position	<u>\$ 194,772</u>	<u>\$ 226,683</u>

KTXK-FM
(A DEPARTMENT OF TEXARKANA COLLEGE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

Financial Analysis of the Statements (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>
Revenues		
Other Operating Revenues	\$ 220,686	\$ 238,510
Operating Expenses	<u>364,417</u>	<u>434,593</u>
Operating Loss	(143,731)	(196,083)
Non-operating Revenues		
Operating Transfers from Texarkana College	<u>111,820</u>	<u>193,570</u>
Decrease in Net Position	(31,911)	(2,513)
Net Position, Beginning of Year	<u>226,683</u>	<u>229,196</u>
Net Position, End of Year	<u>\$ 194,772</u>	<u>\$ 226,683</u>

Condensed Statements of Cash Flows

	<u>2020</u>	<u>2019</u>
Net Cash Flows Used by Operating Activity	\$ 66,689	\$ (108,938)
Net Cash Flows Provided by Noncapital Financing Activities	40,200	125,337
Net Cash Flows Used by Capital and Related Financing Activities	<u>-</u>	<u>(17,307)</u>
Net Decrease in Cash and Cash Equivalents	106,889	(908)
Cash and Cash Equivalents, Beginning of the Year	<u>6,648</u>	<u>7,556</u>
Cash and Cash Equivalents, End of Year	<u>\$ 113,537</u>	<u>\$ 6,648</u>

Current assets consist primarily of cash and cash equivalents and underwriting pledges receivable. Non-current assets consist primarily of capital assets. Capital assets are presented net of accumulated depreciation. Current liabilities consist of accounts payable and accrued expenses. Operating revenues consists primarily of CPB grant revenues, program underwriting and contributed support. Operating expenses consists primarily of broadcasting, programming and production, management and general, fundraising and membership development expenses. Texarkana College provided financial support in the form of direct and indirect expenses totaling \$111,820 and \$193,570 for the years ended August 31, 2020 and 2019, respectively.

KTXK-FM
(A DEPARTMENT OF TEXARKANA COLLEGE)
MANAGEMENT’S DISCUSSION AND ANALYSIS
AUGUST 31, 2020 AND 2019

Discussion of currently known facts, decisions, or conditions

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic which has subsequently extended and is still in effect.

The full extent of the ongoing impact of COVID-19 on the KTXK-FM’s longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. KTXK-FM continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon KTXK-FM. While the potential impact of the Pandemic on KTXK-FM cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on KTXK-FM’s operations and financial condition.

Request for Information

This financial report is designed to provide donors, members, investment managers, foundations, and taxpayers with a general overview of the KTXK-FM’s 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:

KTXK-FM
c/o Texarkana College
2500 N. Robison Rd.
Texarkana, Texas 75599

FINANCIAL STATEMENTS

KTXK-FM
STATEMENTS OF NET POSITION
AS OF AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 113,537	\$ 6,648
Underwriting pledges receivable, net	19,337	19,337
Total Current Assets	<u>132,874</u>	<u>25,985</u>
Noncurrent Assets		
Capital assets, net of accumulated depreciation	234,603	258,519
Total Noncurrent Assets	<u>234,603</u>	<u>258,519</u>
Total Assets	<u>367,477</u>	<u>284,504</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>22,169</u>	<u>29,078</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	3,311	1,750
Accrued payroll items	2,512	2,587
Accrued compensated absences	9,343	12,362
Deferred revenues	112,136	-
Total Current Liabilities	<u>127,302</u>	<u>16,699</u>
Noncurrent Liabilities		
Net pension liability	56,293	63,401
Total Noncurrent Liabilities	<u>56,293</u>	<u>63,401</u>
Total Liabilities	<u>183,595</u>	<u>80,100</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>11,279</u>	<u>6,799</u>
NET POSITION		
Invested in capital assets	234,603	258,519
Unrestricted net position (deficit)	(39,831)	(31,836)
Total Net Position	<u>\$ 194,772</u>	<u>\$ 226,683</u>

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

KTXK-FM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
REVENUES		
Operating Revenues		
Program underwriting	\$ 86,535	\$ 95,163
Contributed support	39,270	47,391
The Corporation for Public Broadcasting grants	94,881	95,956
Total operating revenues	220,686	238,510
EXPENSES		
Operating Expenses		
Programing and production	125,368	106,820
Broadcasting	21,167	44,622
Management and general	216,205	281,048
Fund-raising and membership development	1,677	2,103
Total operating expenses	364,417	434,593
Operating Loss	(143,731)	(196,083)
NON-OPERATING REVENUES		
Appropriations from Texarkana College	111,820	193,570
Total Non-Operating Revenues	111,820	193,570
Decrease in Net Position	(31,911)	(2,513)
NET POSITION		
Net Position - Beginning of Year	226,683	229,196
Net Position - End of Year	\$ 194,772	\$ 226,683

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

KTXK-FM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Program underwriting	\$ 79,427	\$ 123,919
Contributed support	39,270	47,391
Community service grants	207,017	95,956
Payments to or on behalf of employees	(119,698)	(161,725)
Payments to suppliers for goods or services	(139,327)	(214,479)
	66,689	(108,938)
Net cash provided (used) by operating activities		
Cash Flows From Non-capital Financing Activities		
Appropriations from Texarkana College - general operations	40,200	125,337
Net cash provided by non-capital financing activities	40,200	125,337
Cash Flows From Capital and Related Financing Activities		
Proceeds from sales of capital assets	-	11,942
Purchases of capital assets	-	(29,249)
Net cash used by capital and related financing activities	-	(17,307)
Decrease in cash and cash equivalents	106,889	(908)
Cash and cash equivalents - August 31, 2019	6,648	7,556
Cash and cash equivalents - August 31, 2020	\$ 113,537	\$ 6,648
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (143,731)	\$ (196,083)
Adjustments to reconcile operating loss to net cash used by operating activities:		
General expenditures paid directly by Texarkana College	71,620	68,233
Depreciation expense	23,916	20,992
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Deferred outflows of resources related to pensions	6,909	(22,162)
Accounts payable	1,561	(6,094)
Accrued expenses and compensated absences	(3,094)	184
Deferred revenues	112,136	-
Deferred inflows of resources related to pensions	4,480	(2,764)
Net pension liability	(7,108)	28,756
Net cash provided (used) by operating activities	\$ 66,689	\$ (108,938)

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

NOTES TO THE FINANCIAL STATEMENTS

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

KTXK-FM, a department of Texarkana College (the College), is a licensed public telecommunications radio station. The College is both the licensee and operator of the radio station. KTXK-FM presents national public radio news and is dedicated to bringing fine arts programming to listeners throughout the southwest part of Arkansas and the northeast part of Texas.

In accordance with the College's policies, cash accounts of KTXK-FM are held and administered by the College. The College administers and invests gifts and other amounts received directly or indirectly as a result of the fund-raising activities of KTXK-FM. Accounts held by the College for the benefit of KTXK-FM are included in these financial statements.

Principles of Operations

KTXK-FM has adopted Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although a significant amount of KTXK-FM's resources are derived from the College, general contributions, and support from the Corporation for Public Broadcasting Radio Community (CPB), its accounting policy is to prepare its financial statements as a business-type activity, rather than as a governmental fund type, since the CPB prefers the recipients of its funds to utilize this basis for financial statement presentation. Accordingly, KTXK-FM utilizes the economic resources measurement focus and the accrual basis of accounting. The basis of accounting recognizes revenues in the accounting period in which they were earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Operating revenues and expenses are distinguished from other revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses but remain a major component of the overall revenues and expenses of KTXK-FM.

Cash and Cash Equivalents

For purposes of the statement of cash flows, KTXK-FM considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of August 31, 2020 or 2019.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

KTXK-FM utilizes the allowance method for accounting for uncollectable accounts receivable. Amounts are written off at the point when collections attempts have been exhausted, which is based on individual credit evaluation and specific circumstances of the donor. Management uses significant judgement in estimating uncollectable amounts. In estimating uncollectable amounts, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical donor performance, and anticipated donor performance. While management believes KTXK-FM's processes effectively address its exposure to doubtful accounts, changes in economic, industry, or specific donor conditions may require adjustment to the allowance recorded by KTXK-FM. At August 31, 2020 and 2019, management determined that an allowance for doubtful accounts was not required based on the favorable collectability of the recorded receivables.

Capital Assets

KTXK-FM records capital assets at cost or, in the case of donated property, at its estimated fair value at date of receipt, net of accumulated depreciation. The straight-line method was used to calculate depreciation over the following estimated useful lives:

Buildings	50 years
Towers & Transmitters	20 years
Furniture & Equipment	10-20 years

KTXK-FM follows the College's policies in relation to capitalizing items. For equipment, the College's capitalization policy requires capitalization of items with a unit cost of \$5,000 or more and an estimated life greater than one year. Renovations of \$100,000 or more to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Deferred Outflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows related to pensions, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. KTXK-FM's sole deferred outflow of resources is related to pensions.

Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows related to pensions, represents an acquisition of net position that applies to future periods and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. KTXK-FM's sole deferred inflow of resources is related to pensions.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In the statements of net position, net position includes the following:

Invested in capital assets - This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets. At August 31, 2020 and 2019, there is no related debt.

Restricted net position - The component of net position that reports the constraints placed on the use of net position by either external parties or enabling legislation. There was no restricted net position as of August 31, 2020 and 2019.

Unrestricted net position - The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not reported in Invested in Capital Assets and Restricted Net Position.

KTXK-FM's policy is to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

Revenue Recognition

Revenue related to program underwriting for subsequent fiscal years is reflected as deferred revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired. At August 31, 2020 and 2019, there was no deferred revenue.

Contributed support represents amounts paid to KTXK-FM by others outside the reporting entity, and includes contributed professional services and donated materials or facilities.

Program production grants are reported as deferred revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded. As of August 31, 2020 and 2019, there were no deferred revenues related to program production grants.

Appropriations from the College are recorded as non-operating revenues in the statements of revenues, expenses and changes in net position when an expenditure is recorded. These appropriations include expenditures paid directly by the College, reimbursements of expenditures paid by KTXK-FM, and indirect administrative support.

Grants to finance non-capital projects are recorded as deferred revenue until an expenditure is incurred for which the grant was intended. The amounts are then included in revenues and the expenses are recorded.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Underwriting

Revenue for program underwriting is recorded on a pro-rata basis for the period covered and is reflected as program underwriting in the accompanying financial statements.

Pledges and Contributions

KTXK-FM engages in periodic fundraising campaigns by offering special programs and fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to KTXK-FM for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. When necessary, an allowance for uncollectable contributions receivable is provided based upon KTXK-FM's judgment including such factors as prior collection history and type of contribution. All underwriting pledges receivable are promises to give within one year of August 31, 2020 and 2019. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities. This usage is consistent with appeals for contributions and pledges.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain General Provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These General Provisions pertain to the use of grant funds, recordkeeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying financial statements as operating revenues received from the Corporation for Public Broadcasting.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Activities

KTXK-FM's operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services, and from the production of program material for distribution in those activities. Revenues associated with, or restricted by donors to use for, capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of revenues, expenses, and changes in net position. Accordingly, certain costs have been allocated among programming and production, broadcasting, management and general, and fund-raising and membership development on the basis of benefits received.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

KTXK-FM is a department of the College, which is considered part of the political subdivision of the State of Texas, and, therefore, is exempt from income taxes.

Subsequent Events

Management has evaluated subsequent events through March 10, 2021, which is the date the financial statements were available to be issued, and has determined that the following disclosure is necessary.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. Any effects on the operations of KTXK-FM are immeasurable at the date that the financial statements were available for distribution.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

KTXK-FM has implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. KTXK-FM participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the Teacher Retirement System of Texas has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

NOTE 2 – DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the radio station's deposits may not be available to the radio station. KTXK-FM's funds are held by the College.

At August 31, 2020, the carrying amount of the College's bank deposits was \$26,764,975 and total bank balances equaled \$28,009,519. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$26,200,000 were secured by collateral pledged in the College's name, and approximately \$6,460,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

At August 31, 2019, the carrying amount of the College's bank deposits was \$27,217,633 and total bank balances equaled \$27,640,744. Bank balances totaling \$250,000 at one financial institution were secured by the Federal Deposit Insurance Corporation (FDIC), \$22,200,000 were secured by collateral pledged in the College's name, and approximately \$9,500,000 were secured through Insured Cash Sweep (ICS) accounts. The collateral was held in the safekeeping departments of banks which act as agents for the College.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2020, was as follows:

	<u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>2020</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	269,521	-	-	269,521
Towers and Transmitters	46,280	-	-	46,280
Furniture & Equipment	134,044	-	-	134,044
Total Buildings and Other Capital Assets	<u>449,845</u>	<u>-</u>	<u>-</u>	<u>449,845</u>
<u>Accumulated Depreciation:</u>				
Buildings	60,905	12,826	-	73,731
Towers and Transmitters	46,280	-	-	46,280
Furniture & Equipment	84,141	11,090	-	95,231
Total Accumulated Depreciation	<u>191,326</u>	<u>23,916</u>	<u>-</u>	<u>215,242</u>
Net Capital Assets	<u>\$ 258,519</u>	<u>\$ (23,916)</u>	<u>\$ -</u>	<u>\$ 234,603</u>

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

	<u>2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>2019</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	269,521	-	-	269,521
Towers and Transmitters	46,280	-	-	46,280
Furniture & Equipment	126,508	29,249	21,713	134,044
Total Buildings and Other Capital Assets	<u>442,309</u>	<u>29,249</u>	<u>21,713</u>	<u>449,845</u>
<u>Accumulated Depreciation:</u>				
Buildings	48,078	12,827	-	60,905
Towers and Transmitters	46,280	-	-	46,280
Furniture & Equipment	85,747	8,165	9,771	84,141
Total Accumulated Depreciation	<u>180,105</u>	<u>20,992</u>	<u>9,771</u>	<u>191,326</u>
Net Capital Assets	<u>\$ 262,204</u>	<u>\$ 8,257</u>	<u>\$ 11,942</u>	<u>\$ 258,519</u>

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 – COMPENSABLE ABSENCES

Sick leave is accumulated by employees of the institution at the rate of one day per thirty calendar days worked up to a maximum of ninety days. Effective September 1, 2000, upon retirement or termination, employees with ten years or more service with KTXK-FM may be paid for any accumulated sick leave in excess of thirty days at a rate of one-half of the employee's current salary. Full-time non-contractual personnel or employees with twelve month contracts accrue vacation benefits from the date of employment at the rate of one day for each full calendar month worked up to ten vacation days per year. Employees may carry a maximum of 40 hours of accrued vacation forward from one fiscal year through September 30 of the next fiscal year. All vacation accrued in the prior fiscal year is forfeited on December 1 unless administrative approval is granted on a case-by-case basis. All accrued unused vacation time computed at the employee's daily rate of compensation is paid to the employee or his beneficiary in the event of termination, retirement, or death.

Sick leave and vacation benefits of \$9,343 and \$12,362 have been accrued and reported in the accompanying Statement of Net Position as "accrued compensated absences" at August 31, 2020 and 2019, respectively.

NOTE 5 – DEFERRED REVENUES

Deferred revenue consists of stabilization funds provided by the Corporation for Public Broadcasting (CPB) to community service grant recipients as a result of the CARES Act. CARES Act funds were provided by Congress to help public television and radio stations maintain local programming and services threatened by declines in non-federal revenue sources during the economic decline triggered by COVID-19. CPB published these stabilization funds to eligible Community Service Grant (CSG) recipients in April of 2020. As of August 31, 2020, KTXK-FM had not spent the funding; therefore, in accordance with GAAP, the amounts have been deferred. Once the amounts have been spent in accordance with guidelines, the revenues will be recognized in the appropriate period.

NOTE 6 – EMPLOYEES' RETIREMENT PLAN

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas – Defined Benefit Plan

Plan Description - KTXK-FM, as a department of the College, participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's board of trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report is available at https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf (select About TRS, then Publications, then Financial Reports) or write to TRS at 1000 Red River Street, Austin, Texas, 78701-2698.

Net Pension Liability

Total Pension Liability	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	\$ 51,983,126,213

Net Position as a percentage of Total Pension Liability 75.24%

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using a 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. Because the action causes the pension fund to be actuarially sound, the Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions - Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution, which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contribution Entity (State)	7.5%	6.8%
Employers	7.5%	6.8%
FY 2020 KTXK-FM Contributions	\$ 1,826	
FY 2020 Member Contributions	\$ 1,875	

KTXK-FM’s contributions to the TRS pension plan for the year ended August 31, 2020, were \$1,826 as reported in the Schedule of KTXK-FM Contributions in the Required Supplementary Information section of these financial statements.

As the non-employer contributing entity for public education and junior colleges, the state of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

<ul style="list-style-type: none"> • Valuation Date • Actuarial Cost Method • Asset Valuation Method • Actuarial Assumptions <ul style="list-style-type: none"> ○ Single Discount Rate ○ Long-term expected Investment Rate of Return ○ Municipal Bond Rate ○ Last year ending August 31 in Projection period (100 years) ○ Inflation ○ Salary Increases including inflation ○ Ad hoc post-employment benefit changes 	<ul style="list-style-type: none"> August 31, 2018, rolled forward to August 31, 2019 Individual Entry Age Normal Market Value 7.25% 7.25% 2.63%* 2116 2.30% 3.05% to 9.05% None
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* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index.”

The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the system’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

Discount Rate - The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25 %. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system target asset allocation as of August 31, 2019, are summarized on the following page.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return(including credit sensitive investments)	-	-	-
Real Return			
Global Inflation Linked Bonds*****	3.00%	-	
Real Assets	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
Asset Allocation Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Total	100.00%	100.00%	7.23% *

FY 2019 Target Allocation based on the Strategic Asset Allocation dated October 1, 2018

*** New target allocation based on the Strategic Asset Allocation dated October 1, 2019*

**** 10- Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%*

***** New Target Allocation groups Governmental Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds*

****** 5.8% (6.5%) return expectations corresponds to Risk Parity with a 10% (12%) target volatility*

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
KTXK-FM's proportionate share of the net pension liability	\$ 86,530	\$ 56,293	\$ 31,795

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2020, KTXK-FM reported a liability of \$56,293 for its proportionate share of the TRS’s net pension liability.

The net pension liability was measured as of August 31, 2018, and rolled forward to August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018, thru August 31, 2019.

At the measurement date of August 31, 2019, the employer’s proportion of the collective net pension liability was 0.0001083%, which was an increase of 0.0000069% from its proportion measured as of August 31, 2018.

For the year ended August 31, 2020, KTXK-FM recognized pension expense of \$16,952.

Changes Since the Prior Actuarial Valuation

- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever was less.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

At August 31, 2020, KTXK-FM reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 236	\$ 1,954
Changes in actuarial assumptions	17,465	7,217
Net difference between projected and actual investment earnings	565	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,077	2,108
Contributions paid to TRS subsequent to the measurement date	1,826	-
Total	<u>\$ 22,169</u>	<u>\$ 11,279</u>

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2021 (measurement date of August 31, 2020)	\$ 1,173
2022 (measurement date of August 31, 2021)	713
2023 (measurement date of August 31, 2022)	3,209
2024 (measurement date of August 31, 2023)	3,288
2025 (measurement date of August 31, 2024)	1,162
Thereafter	(481)

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – EMPLOYEES’ RETIREMENT PLAN (CONTINUED)

Optional Retirement Plan

Plan Description - Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state and each participant are 6.6% in fiscal years 2020 and 2019 and 6.65% in fiscal years 2020 and 2019, respectively. The College contributes no amounts for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB) 1812, 83rd Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state’s contribution to 50 percent of eligible employees in the reporting district.

The total payroll for all of KTXK-FM employees was \$105,095 and \$136,268 for fiscal years 2020 and 2019, respectively. The total payroll of employees covered by the Teacher Retirement System was \$33,041 and \$59,662, and the total payroll of employees covered by the Optional Retirement Program was \$69,408 and \$68,047 for fiscal years 2020 and 2019, respectively.

NOTE 7 – NON-FEDERAL FINANCIAL SUPPORT

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on Non-federal Financial Support (NFFS). NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A contribution is cash, property, or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity or an organization that receives the revenue on its behalf.

A payment is cash, property, or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state or local government agency thereof, or an education institution; (2) the form of the payment must be an appropriation or contract payment; (3) the purpose must be for services or materials with respect to the provision of educational or instructional television or radio programs; and (4) the recipient must be a public broadcasting entity or an organization that receives the revenue on its behalf.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 7 – NON-FEDERAL FINANCIAL SUPPORT (CONTINUED)

The assets, liabilities, and net position of KTXK-FM are accounted for using the following fund for CPB purposes:

Radio Funds – These funds include the resources that are available for support of the KTXK-FM Public Radio Network.

NFFS for KTXK-FM was \$237,625 and \$336,124 for the radio fund for the years ended August 31, 2020 and 2019, respectively.

NOTE 8 – COMMUNITY SERVICE GRANTS

KTXK-FM receives a CSG from the CPB annually for radio. The CSG was awarded to KTXK-FM in the amount of \$94,881 and \$95,956 for the periods from October 1, 2019, through September 30, 2020, and from October 1, 2018, through September 30, 2019, respectively. All grant funds for each award year were received and expended prior to August 31st of the award year, with the exception of the CARES Act funding described in Note 5, which has been deferred as of August 31, 2020.

NOTE 9 - STAFF BENEFITS

KTXK-FM provides staff benefits for its employees in the form of hospital/medical insurance, salary continuance insurance, and life insurance equal to twice the employee's annual contractual salary up to a maximum of \$45,000.

NOTE 10 – PERSONNEL EXPENSES

All personnel working at KTXK-FM are employees of the College and are eligible for retirement or other benefits provided by the College. KTXK-FM reimburses the College for all wages and benefits related to the operations of KTXK-FM to the extent possible.

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 11 – AGREEMENT TO PROVIDE OPERATIONS

The College entered into an agreement to provide for licensing and operations of KTXK-FM. Under this agreement, the College is to provide general appropriations support and other direct and indirect financial support. Indirect support from the College consists of allocated institutional support and physical plant costs incurred by KTXK-FM for which KTXK-FM receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as indirect administrative support and also as expense in the programming and production, broadcasting, management and general, and fund-raising and membership development functional expense categories. For the year ended August 31, 2019, indirect support was calculated using the “Basic Method” provided by the CPB. For the year ended August 31, 2020, indirect support was calculated using the “Standard Method” provided by the CPB. The value of this support included in the statement of revenues, expenses, and changes in net position was \$71,620 and \$68,233 for the years ended August 31, 2020 and 2019, respectively. A summary of such support and other direct and indirect support is as follows for the years ended August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General appropriations	\$ 40,200	\$ 125,337
Institutional costs paid directly by Texarkana College	40,446	60,741
Plant support costs paid directly by Texarkana College	4,452	7,492
Programming and production costs paid directly by Texarkana College	26,369	-
Fund-raising costs paid directly by Texarkana College	353	-
	<u>\$ 111,820</u>	<u>\$ 193,570</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

KTXK-FM is included within the scope of an agreement entered into by the College with the Texas Community College Employee Benefits Consortium to self-fund their workers’ compensation plan. The agreement was effective September 1, 1991, and is administered by Hibbs - Hallmark & Company.

The College agreed to pay into the fund a fixed cost amount of \$34,829 and a maximum loss fund amount of \$80,228 for the year ended August 31, 2020. The loss fund amount was for Texarkana College’s claims and for claims of other group members in excess of their loss fund maximum.

The College agreed to pay into the fund a fixed cost amount of \$31,944 and a maximum loss fund amount of \$73,582 for the year ended August 31, 2019. The loss fund amount was for Texarkana College’s claims and for claims of other group members in excess of their loss fund maximum.

The College incurred expenses under the plan as follows:

	<u>2020</u>	<u>2019</u>
Fixed cost	\$ 34,829	\$ 31,944
Actual claims	12,058	16,265
Decrease in accrued liabilities	<u>(10,849)</u>	<u>(15,488)</u>
Total Expense	<u>\$ 36,038</u>	<u>\$ 32,721</u>

KTXK-FM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The College's maximum liability for the three years ended August 31, 2020, under this agreement is \$229,416, computed as follows:

2017-2018 Maximum loss fund	\$ 75,606
2018-2019 Maximum loss fund	73,582
2019-2020 Maximum loss fund	<u>80,228</u>
Total	<u>\$ 229,416</u>

The administration of the Plan has estimated the liability for claims that have been reported but not paid and claims incurred but not reported to be \$84,157 and \$95,006 as of August 31, 2020 and 2019, respectively. Of these amounts, \$1,163 was allocated to KTXK-FM as of August 31, 2020 and 2019, based on total salaries of KTXK-FM employees as a percentage of the College's total salaries. This liability has been accrued in the financial statements as of August 31, 2020 and 2019.

REQUIRED SUPPLEMENTAL INFORMATION

KTXK-FM
SCHEDULE OF KTXK-FM'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST SIX FISCAL YEARS**

Fiscal year ending August 31 *	2020	2019	2018	2017	2016
KTXK-FM's proportionate share of the collective net pension liability (%)	0.0001083%	0.0001152%	0.0001084%	0.0001185%	0.0001278%
KTXK-FM's proportionate share of the collective net pension liability (\$)	\$ 56,293	\$ 63,401	\$ 34,645	\$ 44,771	\$ 45,193
State's proportionate share of the net pension liability associated with KTXK-FM	\$ 56,293	\$ 63,401	\$ 34,645	\$ 44,771	\$ 45,193
Total	\$ 56,293	\$ 63,401	\$ 34,645	\$ 44,771	\$ 45,193
KTXK-FM's covered payroll amount	\$ 55,965	\$ 57,012	\$ 52,324	\$ 54,246	\$ 55,609
KTXK-FM's share of the net pension liability as a percentage of covered payroll	100.59%	111.21%	66.21%	82.53%	81.27%
Plan fiduciary net position as a percentage of total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
	2015				
KTXK-FM's proportionate share of the collective net pension liability (%)	0.0001489%				
KTXK-FM's proportionate share of the collective net pension liability (\$)	\$ 39,762				
State's proportionate share of the net pension liability associated with KTXK-FM	\$ 39,762				
Total	\$ 39,762				
KTXK-FM's covered payroll amount	\$ 40,916				
KTXK-FM's share of the net pension liability as a percentage of covered payroll	97.18%				
Plan fiduciary net position as a percentage of total pension liability	83.25%				

* The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

** Only six years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KTXK-FM
SCHEDULE OF KTXK-FM'S CONTRIBUTIONS
LAST SIX FISCAL YEARS**

Fiscal year ending August 31 *	2020	2019	2018	2017	2016	2015
Legally required contributions	\$ 1,826	\$ 3,806	\$ 3,877	\$ 3,549	\$ 3,764	\$ 3,782
Actual contributions	1,826	3,806	3,877	3,549	3,764	3,782
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
KTXK-FM's covered payroll amount	\$ 24,346	\$ 55,965	\$ 57,012	\$ 52,324	\$ 54,246	\$ 55,609
KTXK-FM's actual contributions as a percentage of covered payroll	7.50%	6.80%	6.80%	6.78%	6.94%	6.80%

* The amounts presented above are as of KTXK-FM's respective fiscal year-end.

** Only six years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

KTXK-FM
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

- The single discount rate as of August 31, 2018, was a blended rate of 6.907%, and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 86th Texas Legislature, 2019, an assumption has been made about how this impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000, whichever was less.

REPORTING IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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*

To the Board of Trustees of Texarkana College,
as the governing body of KTXK-FM
Texarkana, Texas

We have audited, in accordance with the 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, the financial statements of KTXK-FM, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise KTXK-FM's basic financial statements, and have issued our report thereon dated March 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KTXK-FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KTXK-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of KTXK-FM's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To the Board of Trustees of Texarkana College,
as the governing body of KTXK-FM

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Texarkana, Texas
March 10, 2021

**KTXK-FM
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2020**

Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

KTXK-FM
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2020

Prior year findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards*:

During the year ended August 31, 2019, there were no findings or questioned costs reported related to the financial statements.

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