

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by August "Gus" Bogina at  
Chairperson

11:00 a.m./p.m. on March 4, 1986 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Ed Ahrens, Robin Hunn, Scott Rothe, Lynne Holt,  
Carolyn Rampey, Mary Galligan, Laura Howard, Julian  
Efird

Revisor's Office: Norman Furse

Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

Bruce Frahm, from rural Colby

Paul Steele, CPA and Fee Accountant for KLBY, Channel 4, Colby

Barry McCoy, General Manager, KLBY

Bruce Lemon, President, Farmers and Merchants Bank, Colby

Vic Van Camp, President, Colby Chamber of Commerce

Richard Epard, Farmers and Merchants Bank, Colby

Ken Gardner, KOOD, Public TV Station, Bunker Hill

Representative Jerry Friedeman

SB 584 - Appropriations FY 1986, General Government

SB 524 - Appropriations FY 1987, General Government

The committee continued its deliberations concerning the above mentioned bills.

SB 524 - Kansas Soldiers' Home - Section 14

Senator Feleciano reviewed the subcommittee report and committee members were given the opportunity to question him.

SB 584 - State Treasurer

Senator Winter presented the subcommittee report on this section. Members of the committee were given the opportunity to ask questions.

SB 524 - State Treasurer - Section 15

There were no questions following Senator Winter's presentation of the subcommittee report on Section 15.

SB 524 - Grant to Veterans of World War I - Section 16

There was opportunity for committee members to ask questions following Senator Winter's presentation of the subcommittee report on this section.

Senator Winter informed the committee that there would be some wording changes in the subcommittee report for the Secretary of State. The change quotes different statutes in the discussion of changing of fees.

Senator Winter further noted that there is also some information relative to the Department of Health and Environment, Committee on Mexican-American Affairs. Senator Feleciano added that he did not have the correct information when he presented figures on this Committee to the subcommittee.

Motion was made by Senator Feleciano and seconded by Senator Winter to amend the subcommittee report for SB 524, Section 7, to restore the following items to the Kansas Advisory Committee on Mexican American Affairs for FY 1987: Communication, \$913; Donation Fund \$492; Travel and Subsistence, \$3,364; and Printing and Advertising, \$600, all from the State General Fund

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 11:00 a.m./p.m./ on March 4, 1986

SB 524 - Continued

except the \$492 from the Donations Fund. The motion carried by voice vote.

Motion was made by Senator Winter and seconded by Senator Feleciano to adopt the subcommittee reports as amended for SB 524. The motion carried voice vote.

Motion was made by Senator Winter and seconded by Senator Werts to delete reference to the Kansas Department of Economic Development in SB 524. The motion carried by voice vote.

Motion was made by Senator Winter and seconded by Senator Feleciano to report SB 524 as amended favorably for passage. The motion carried by voice vote.

SB 523 - Appropriations FY 1987, Department of Education and Related Agencies

Senator Doyen, Chairman of the subcommittee reporting on SB 523, said he would like to begin with Section 8, since several people would like to appear on the subject of purchase of a television station at Colby for use by the public television station at Bunker Hill.

Section 8 - Kansas Public Broadcasting Commission

Senator Doyen presented the subcommittee report on this section, and committee members were given the opportunity to question him. He then indicated that staff had received additional information concerning purchase of a private television station at Colby under the auspices of Channel 9, KOOD. He asked Ms. Holt to present that information. She gave a brief review of the request by KOOD for federal funding of the purchase. She had received information from the Federal Government on the prospects of funding for the grant application, and passed that information on to the committee. She indicated that when the Federal Government is ready to make a decision concerning the grant application, the state must give some assurance of certification of matching funds, and that the decision probably would be made by August 1, 1986.

Mr. Frahm addressed the issue of listener interest in the Colby area. He said that Nebraska public television is carried on Colby's system and is a marginal signal; but, in spite of that, there is funding going to the Nebraska station. He added that, if there were a station in Colby, there would be a lot of public interest. When asked by Senator Werts if there is a cable system in Colby, Mr. Frahm answered in the affirmative. He added that it is one of the lowest priorities on the system, probably because of the distance from Lexington, Nebraska, to Colby. Mr. Frahm continued by stating that he cannot get cable television because he lives in a rural area; that he is not willing to buy a satellite dish, but would be glad to spend money for public television.

Mr. Steele stated that, by nature of the population in Western Kansas, it is not fair to compare per capita costs of public television with Eastern Kansas. He added that he does not feel the western part of the state should be denied the coverage of the state system.

When asked by Senator Bogina why Channel 4 is for sale, Mr. Steele stated that it is not commercially viable because of the small population in the area. He noted that the station is owned by local investors, for the most part. There were other questions from committee members concerning the value of the equipment, the need for some of that equipment, the possibility of selling the station to another commercial group, etc.

Senator Gannon commented that this provides the state with a unique opportunity to provide public broadcasting in Western Kansas, since the only way the current system can be expanded is to acquire existing television stations.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 11:00 a.m./p.m/ on March 4, 1986.

SB 523 - Continued

Section 8 - Continued

Senator Gaines suggested that community colleges in western Kansas be asked to communicate with the public television station, thus giving some help in funding from their tax base. Mr. Steele suggested that the leadership you find in a community college Board of Trustees is not the same kind of leadership needed for a public broadcasting system.

Mr. McCoy explained that, when KLBY first went on the air, they thought they would be an ABC affiliate. Because that didn't happen, the station had a difficult time selling advertising. He added that he felt the station would do very well in supporting itself as a public broadcasting station because it would cover the entire area of Western Kansas. Many people have replied favorably when asked if they would support such a station.

When asked by Senator Bogina why the originating capacity available at KLBY is needed (since KOOD can originate programming), Mr. McCoy said local programming could then be incorporated.

Senator Bogina then questioned Mr. McCoy and Mr. Steele about figures in Attachment A. They clarified the financial statements for him.

Senator Werts asked why Mr. McCoy is confident that the area served would support the television station with contributions, when it was not supported with advertising. Mr. McCoy answered that the support would be there because of increased area coverage.

Mr. Lemon noted that the private station was supported with donations and local grants; consequently, he is certain enough funds can be raised to provide operating costs each year for a public television station. He said the area has been waiting a long time for public television. He added that he felt KLBY could be acquired for approximately the same amount of money that transmitters and microwave lengths would cost.

Mr. Van Camp indicated that there is support from local merchants for public television; and he is hopeful the station in question can be a vehicle that can help with the education process in northwest Kansas. He added that he feels the amount of \$200,000 can be raised locally.

Mr. Epard indicated that he is one of the investors in the present private television station. He explained that, when he got involved in purchasing the station, he and other investors had a dream for northwest Kansas. He reiterated that the possibility of becoming an ABC affiliate was one of the incentives. However, this did not happen, and operating costs were prohibitive. He also noted that there was a period of poor management of the station. There were questions from committee members concerning the financial arrangements of the four original investors.

Mr. Epard agreed with other conferees that the community around Colby would support a public television station.

Mr. Gardner indicated that as a representative of public broadcasting, he is involved in trying to put a package together which is advantageous to all concerned. He said KOOD proposes to operate KLBY as a sister station, at a cost of about \$70,000 annually. He added that programming could be provided for no additional cost. The proposal includes a microwave interconnect so programming can be controlled from Russell. He stressed that it is not his station's intention to come back to the state to ask for additional funding for the Colby operation. He reminded the committee that no consideration can be given to a translator in Colby, because there is a federal grant freeze on them.

Mr. Gardner then discussed the needs for the acquisition of KLBY, the assets involved, the federal grant which may be available, etc. There followed an extended discussion concerning the feasibility of acquiring the additional station, costs of existing translators, etc.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,  
room 123-S, Statehouse, at 11:00 a.m./p.m./on March 4, 1986

SB 523 - Continued  
Section 8 - Continued

Representative Friedeman stated that he was elected Chairman of the Public Broadcasting Commission on January 10. He added that the Commission did not take a position on the request to purchase KLBY because there was not sufficient time to discuss the matter. Representative Friedeman said that he personally thinks the purchase would be a relatively good deal. He reminded the committee that there is a great deal of concern in the state concerning lack of public television in Southwest Kansas.

At this point, Senator Doyen indicated that he does not have any recommendations concerning the purchase of KLBY.

Senator Gannon stressed the importance of providing public television to all areas of the state, and noted that this purchase would provide a unique opportunity to do so. He expressed concern about the price, particularly since the originating capabilities may not be needed. He stated that his constituents do not care where the programming originates, but they would like the opportunity to have public television in the area.

Senator Gannon continued by stating that he thinks some state dollars need to be dedicated to the northwest Kansas area, but that \$600,000 is too much. He asked the committee to allow him to meet with the parties involved and get some questions answered, and to report back to the committee.

Senator Bogina suggested that the \$600,000 not be included in the subcommittee report for SB 523 at this time. He said that, if the subcommittee has additional information before the bill is discussed on the floor of the Senate, it can be added at that time; or it can wait until the bill is sent to the House of Representatives.

Senator Gaines agreed with Senator Bogina's observation. He indicated that the \$600,000 figure seems to be a bargain, but he has problems with public accountability. He again expressed concern that the community colleges in the area need to be involved, since there may not be enough population for adequate local funding.

Senator Werts said he was reluctant to make any decisions without recommendation from the Public Broadcasting Commission. Representative Friedeman said he would be glad to call a meeting of the Commission, and to discuss the situation with Senator Gannon and others who may find time to join the discussion.

It was agreed by the committee that no decision would be made at this time on the issue of purchasing the television station at Colby.

The meeting was adjourned by the Chairman.

FEB 3 1986

**PMS**

*Paul M. Steele*

CERTIFIED PUBLIC ACCOUNTANT

MEMBER  
KANSAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

January 31, 1986

Representative G.R. Friedeman  
Box 112  
State Capitol  
Topeka, KS 66612

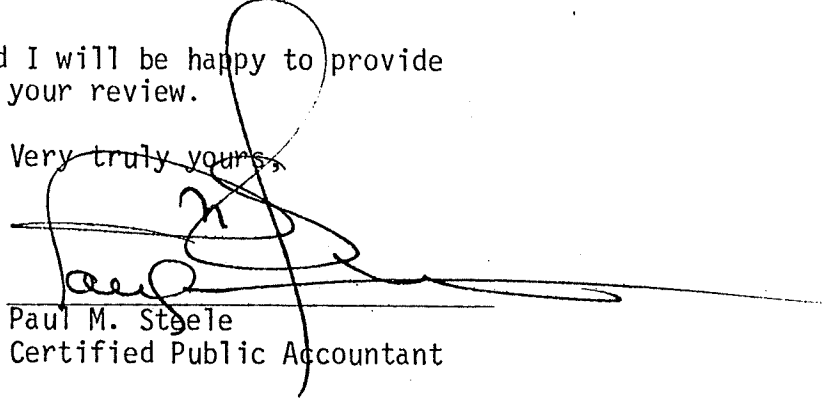
RE: Financial statements for Channel 4, KLBY, Colby, Kansas

Dear Jerry:

My clients, the partners of Channel 4 partnership have requested that I forward copies of their most recent financial statements to you. I believe that they are interested in the sale of all or part of the assets of the station to be used as a part of the Kansas Public Broadcasting system.

The financials are quite complex, and I will be happy to provide assistance to you as you require in your review.

Very truly yours,

  
Paul M. Steele  
Certified Public Accountant

jmn

Enclosures

*S.W.M 3/4/86*

*11:00 a.m.*

*A 3-4-86*



*Paul M. Steele*

CERTIFIED PUBLIC ACCOUNTANT

MEMBER  
KANSAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

Partners  
Channel 4 Broadcasting, Ltd.  
Colby, Kansas

We have compiled the accompanying balance sheet of Channel 4 Broadcasting, Ltd. (a partnership) as of September 30, 1985, and the related statements of income and partners' capital, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

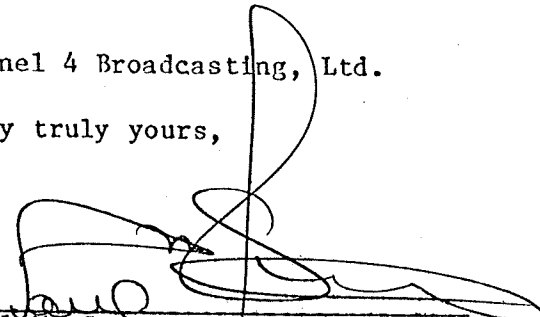
A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As further explained in Note 2, the company uses the Accelerated Cost Recovery Depreciation method. Generally accepted accounting principles require computing depreciation over the estimated lives of the assets.

The aforementioned compiled financial statements have been prepared on a going-concern basis which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. Because of significant operating losses, the Partnership's ability to continue as a going concern is dependent upon the attainment of future profitable operations.

We are not independent with respect to Channel 4 Broadcasting, Ltd.

Very truly yours,

  
Paul M. Steele  
Certified Public Accountant

November 19, 1985

CHANNEL 4 BROADCASTING, LTD.

FINANCIAL STATEMENTS

For the Year Ended September 30, 1985

CHANNEL 4 BROADCASTING, LTD.  
Balance Sheet  
September 30, 1985

ASSETS

Current Assets:	
Cash on hand	\$ 207.07
Accounts receivable	14,995.82
Prepaid expenses	225.00
License agreements (Note 10)	137,095.66
	-----
Total Current Assets	152,523.55
Property, Plant and Equipment: (Note 2)	
Vehicles	13,096.32
Office equipment	34,525.73
Station equipment	271,827.04
Leasehold improvement	17,803.15
	-----
	337,252.24
Accumulated depreciation	( 64,313.00)
	-----
Total Property, Plant and Equipment	272,939.24
Other Assets: (Note 3)	
Lease origination fee	25,000.00
Accumulated amortization	( 6,249.94)
Station permits	121,000.00
Deferred finance charge	547.56
Note receivable	90,698.83
Construction period expenses	215,105.53
Accumulated amortization	( 23,303.02)
License agreements (Note 10)	238,184.03
	-----
Total Other Assets	660,982.99
	-----
Total Assets	\$1,086,445.78
	=====

LIABILITIES AND PARTNERS' EQUITY

Current Liabilities:	
Cash in bank	\$ 27,215.32
Accounts payable	55,874.93
Accrued payroll taxes	1,506.00
Due on license agreements (Note 10)	269,083.99
	-----
Total Current Liabilities	353,680.24
Long-Term Liabilities:	
Note payable (Note 6)	25,600.00
Capitalized leases (Note 7)	6,981.80
Due on license agreements (Note 10)	96,256.89
	-----
Total Long-Term Liabilities	128,838.69
	-----
Total Liabilities	482,518.93
	-----



CHANNEL 4 BROADCASTING, LTD.  
Balance Sheet  
September 30, 1985

LIABILITIES AND PARTNERS' EQUITY

Partners' Equity: (Note 1)		
Sheraton Colby Convention Center, Inc.		
Limited Partner	603,926.85	
Sam Lunsway, General Partner	-	
	-----	
Total Partners' Equity		603,926.85
		-----
Total Liabilities and Partners' Equity		\$1,086,445.78
		=====

See accompanying notes and accountant's report.

CHANNEL 4 BROADCASTING, LTD.  
Statement of Income and Partners' Capital  
For the Year Ended September 30, 1985

Sales	\$ 91,436.72
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Expenses:	
Accounting	9,010.00
Advertising	2,687.53
Art department	475.18
Amortization	25,081.92
Consultants	79,679.95
COD and shipping	27,894.49
Depreciation (Note 2)	48,235.00
Dues and subscriptions	5,372.63
Engineering	300.60
Entertainment	247.55
Insurance	46,769.75
Leases and rentals	250,773.45
Legal	13,897.70
Miscellaneous	14,629.66
Office expense	18,294.29
Production expense	14,163.14
Programs (Note 10)	137,432.67
Repairs and maintenance	10,007.61
Salaries	189,644.70
Studio expense	6,725.74
Tapes	54,168.96
Taxes	21,920.31
Telephone	17,516.63
Travel	6,649.75
Utilities	48,196.47
Vehicle expense	820.87
	<hr style="border-top: 1px dashed black;"/>
Total Expenses	1,050,596.55
	<hr style="border-top: 1px dashed black;"/>
Net Loss from Operations	( 959,159.83)
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Other Income (Expense):	
Interest income	1,183.72
Interest expense	( 28,164.89)
	<hr style="border-top: 1px dashed black;"/>
Total Other Income (Expense)	( 26,981.17)
	<hr style="border-top: 1px dashed black;"/>
Net Loss	( 986,141.00)
Beginning Partners' Capital	182,016.35
Capital Contributed	1,408,051.50
	<hr style="border-top: 1px dashed black;"/>
Ending Partners' Capital	\$ 603,926.85
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See accompanying notes and accountant's report.

CHANNEL 4 BROADCASTING, LTD.  
Statement of Changes in Financial Position  
For the Year Ended September 30, 1985

Sources of Working Capital

Net loss	\$( 986,141.00)
Items not affecting working capital	
Depreciation (Note 2)	48,235.00
Amortization of lease origination fee (Note 3)	15,939.12
Amortization of construction period expenses (Note 3)	5,571.36
Amortization of lease origination fee	3,571.44
	-----
Working Capital Provided by Operations	( 912,824.08)
Contributions by Sheraton Colby Convention Center, Inc.	1,408,051.50
Use of license agreements rights (Note 10)	137,095.67
	-----
Total Sources of Working Capital	632,323.09
	-----

Uses of Working Capital (Note 3)

Acquisition of property, plant and equipment	160,715.31
Developers fee	46,000.00
Increase in notes receivable	15,000.00
Payments of capital leases, net of deferred finance charge	910.36
Decrease in license agreements payable (Note 10)	196,881.92
	-----
Total Uses of Working Capital	419,507.59
	-----

Net Increase (Decrease) in Working Capital	\$ 212,815.50
	=====

Changes in Working Capital

Increase (decrease) in current assets	
Cash on hand	\$ -
Accounts receivable	8,183.62
Prepaid expenses	-
License agreements (Note 10)	-
	-----
Total	8,183.62
	-----

(Increase) decrease in current liabilities

Cash in bank	38,238.33
Accounts payable	( 9,062.76)
Accrued interest payable	22,801.11
Accrued payroll taxes	( 1,506.00)
Notes payable - stockholders (Note 4)	65,000.00
Notes payable (Note 5)	181,400.00
Due on license agreements (Note 10)	( 92,238.80)
	-----
Total	204,631.88
	-----

Net Increase (Decrease) in Working Capital	\$ 212,815.50
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See accompanying notes and accountant's report.

CHANNEL 4 BROADCASTING, LTD.  
Notes to the Financial Statements  
September 30, 1985

Note 1 - GENERAL

Channel 4 Broadcasting, Ltd. was organized as a limited partnership pursuant to the provision of the Uniform Limited Partnership Act of Kansas between Sam A. Lunsway, General Partner, and Sheraton Colby Convention Center, Inc., a Kansas corporation, Limited Partner.

Net profits and losses are to be allocated in accordance with number of units owned. The Limited Partner is to own four units at 25% ownership per unit. The General Partner shall not receive any units unless it purchases them as a Limited Partner.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Income taxes - No income tax provision has been included in the financial statements since income or loss of the partnership is required to be reported by the respective partners on their income tax return.

Property, plant and equipment - Property, plant and equipment are carried at cost. Depreciation, including amortization of capitalized leases, is computed using the Accelerated Cost Recovery System (ACRS). This method differs from the generally accepted accounting principle of computing depreciation over the estimated useful lives of assets. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Note 3 - OTHER ASSETS

The television station lease origination fee is being amortized over the seven year term of the lease.

Costs allocated to Television Broadcast Station Construction Permit and Construction of Tower Permit are not subject to amortization.

The deferred finance charge on a capitalized lease is being amortized over the three year term of the lease.

The note receivable is an unsecured note from Athans Manufacturing, Inc. payable at 14%. Terms of the agreement call for a payment of \$37,500.00 on November 10, 1984 and December 10, 1984 and balance on January 10, 1985. All payments were in default as of November 19, 1985.

Note 3 - OTHER ASSETS-CONT.

Construction period expenses include capitalized interest, loan origination fees and television station equipment lease payments to the date that regular programming began, September 5, 1984. These costs are being amortized over a ten year period.

Note 4 - NOTES PAYABLE - STOCKHOLDERS

Monies deposited by a stockholder 3-6-84 is accruing interest at 14.25%. This note was transferred to Sheraton Colby Convention Center, Inc.

Note 5 - NOTES PAYABLE

Short term notes are payable to Farmers and Merchants Bank, Colby, Kansas at 14.25%. These notes were transferred to Sheraton Colby Convention Center, Inc.

Note 6 - NOTE PAYABLE

Note payable represents amount due December 30, 1986 to Ace Services, Inc. for 2 natural gas generators. Interest at 10% is payable annually on December 30, 1984, 1985 and 1986.

Note 7 - LEASES

Property and equipment includes \$8,788.15 of capitalized leases.

Future minimum payments under capital leases and noncancelable operating leases with an initial term of one year or more were as follows at September 30, 1985.

	Capital Leases	Operating Leases
1986	\$ 5,126.84	256,313.28
1987	1,720.56	256,313.28
1988	134.40	256,313.28
1989	-	256,313.28
1990	-	243,394.05
Thereafter	-	59,771.91
	----- \$ 6,981.80	----- 1,328,419.08
	=====	=====

8 - RELATED PARTY TRANSACTIONS

In a Letter of Agreement between Sheraton Colby Convention Center, Inc., and Sam A. Lunsway, Sam A. Lunsway transferred to the corporation a Television Broadcast Station Construction Permit, a Sheraton Inn's, Inc. Franchise Agreement, a Construction of Tower Permit together with a conveyance of real estate for a sum of \$200,000.00. The allocation is as follows:

Television Broadcast Station Construction Permit	\$ 5,000.00
Sheraton Inn's, Inc. Franchise Agreement	70,000.00
Construction of Tower Permit	70,000.00
Real Estate	55,000.00
	-----
	\$200,000.00
	=====

CHANNEL 4 BROADCASTING, LTD.  
Notes to the Financial Statements  
September 30, 1985

Note 8 - RELATED PARTY TRANSACTIONS-CONT.

Sheraton Colby Convention Center, Inc. transferred the Television Broadcast Station Construction Permit and Construction of Tower Permit to Channel 4 Broadcasting, Ltd.

Sheraton Colby Convention Center, Inc. is the Limited Partner and Sam A. Lunsway is the General Partner in Channel 4 Broadcasting, Ltd. Sam A. Lunsway owns 25% of the stock of the corporation and is president of the board of directors.

Note 9 - LITIGATION

Sheraton Colby Convention Center, Inc. was named among the defendants in a suit filed in the District Court of Thomas County, Kansas on July 20, 1984 for partial construction of a guyed tower. Plaintiff is seeking a sum of \$34,400.00 for labor and services. Sheraton Colby Convention Center, Inc. purchased a certificate of deposit in the amount of \$40,000.00 to secure a letter of credit to release the stockholders and directors, named individually as defendants, from the suit. The plaintiff moved to dismiss the case upon settlement of \$15,000.00.

Note 10- FINANCIAL REPORTING BY BROADCASTERS

The accounting for license agreements for broadcast program material has been presented to conform to Statement of Financial Accounting Standards No. 63. Generally, license agreements are accounted for as a purchase of rights and an asset is recorded for the rights acquired and a liability recorded for obligations incurred; program series are amortized based upon the estimated number of future showings.