

**KIOS-FM Radio**  
**Omaha, Nebraska**  
**(A Public Telecommunications Entity Operated**  
**by Douglas County School District #0001)**

**Financial Statements**  
**and Supplementary Information**  
**August 31, 2015**

**Together with Independent Auditor's Report**

# KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

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## Independent Auditor's Report

To the Board of Education  
Douglas County School District #0001:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of KIOS-FM Radio (a public telecommunications entity operated by Douglas County School District #0001) (KIOS), an aggregated fund of the Douglas County School District #0001 (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the KIOS'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of KIOS as of August 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of KIOS and do not purport to, and do not, present fairly the financial position of the District as of August 31, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, in 2015 KIOS adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting Pensions – an Amendment of GASB Statement No. 27*.

Our opinions are not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, the Schedule of KIOS's Proportionate Share of Net Pension Liability on page 23, Schedule of KIOS's Contributions on page 24, and Notes to the Required Supplementary information on pages 25 through 26 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 November 5, 2015 on our consideration of the KIOS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 KIOS's internal control over financial reporting and compliance.

*SEEM JOHNSON, LLP*

Omaha, Nebraska,  
November 5, 2015.

## **KIOS-FM Radio**

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### **Management's Discussion and Analysis For the Year Ended August 31, 2015**

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**KIOS**

Omaha Public Radio

**91.5 FM**

<p>MANAGEMENT'S DISCUSSION AND ANALYSIS KIOS-FM Radio</p>
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#### **OVERVIEW**

A combined government-wide and fund basis financial statements have been presented, with eliminations and adjustments included as part of the statements. The government-wide financial statements include the financial activities of the overall government, whereas, the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. The Organization has elected to present combined government-wide and fund basis financial statements because it has only one all-purpose governmental fund.

#### **REPORT COMPONENTS**

This annual report consists of the following components:

- Management's Discussion and Analysis – Management's Discussion and Analysis (MD&A) is information required to be presented by the Governmental Accounting Standards Board. This section will provide readers of this report with an introduction to the basic financial statements and an analytical overview of KIOS activities. It also provides additional information that supplements the financial statements and the notes to the financial statements.
- Financial Statements – The financial statements present information about KIOS that transpired during the fiscal year.
- Notes to the Financial Statements – The notes to the financial statements are an integral part of these financial statements and provide a more detailed presentation of various activities of the KIOS such as capital assets and organizational structure. The reader of the financial statements should make particular note of the information included in the notes.
- Required Supplementary Information - The information presented in pages 23 through 26 are required supplementary information, and provide additional information about KIOS' net pension liability.

#### **KIOS-FM STATION MISSION**

KIOS-FM, Omaha's NPR® Station, is Omaha Public Radio and since its beginnings in 1969, the mission has been simple: to provide to the audience programming that cannot be found on commercial radio and serve as the educational extension of the Omaha Public Schools.

As the educational extension of the Omaha Public Schools, KIOS-FM facilities are used as the lab of radio broadcasting students of the OPS Career Center. Their work can be heard several times a week in programs designed and produced by the students.

On the programming side, KIOS-FM brings the best in programming from National Public Radio, American Public Media, Public Radio International and locally produced shows. These programs represent the best in news, information, jazz, and entertainment. They inform and entertain.

#### **GOVERNANCE ORGANIZATION AND RESPONSIBILITIES**

The nine-member Governing Board of the District is elected by the citizens of the community to four-year terms within nine districts. The terms of the Board members overlap with elections occurring every two years. The Governing Board is a policy-making body, deriving its authority from the State of Nebraska through the laws of the State. This Board oversees the KIOS-FM Station as part of the overall District.

## KIOS-FM Radio

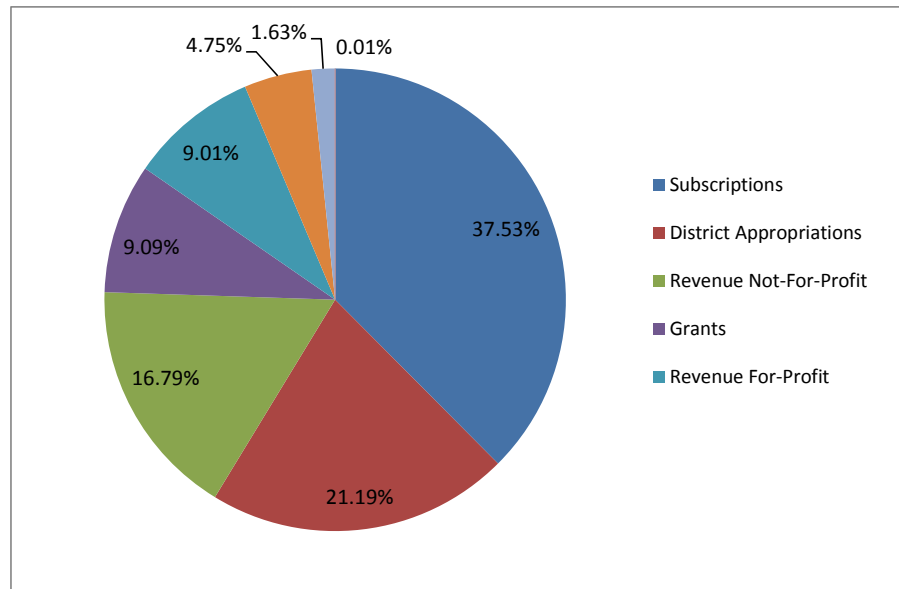
(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Management's Discussion and Analysis For the Year Ended August 31, 2015

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#### FINANCIAL STRUCTURE

The operating funds of KIOS-FM Radio are not taxing funds. The Revenue comes from five major sources, which are: grants from Corporation for Public Broadcasting 9%, district appropriations 21%, memberships and subscriptions 38%, donations from for-profit entities 9%, and donations from non-profit entities 17%. The remaining 6% is composed of interest income, district indirect support, and matching receipts.



- **District Appropriations:** The district appropriations for KIOS are a direct result of the expenditures that occur within the general fund of Douglas County School District #0001 (the District), for the operation of KIOS-FM Radio station as an educational opportunity of the District.
- **Corporation for Public Broadcasting Grant:** This grant is received for the operation of the KIOS- FM radio station.
- **Public Support:** KIOS solicits ongoing support from the general public, non-profits, and for-profit entities through the process of selling advertising space and an annual membership drive for new and existing memberships. These activities are accounted for in memberships and subscriptions, for-profit entities and non-profit entities on the Statement of Activities.
- **Interest from Investments:** The cash on hand varies greatly throughout the year. In periods when cash is positive the surplus funds are invested in approved, secured, and liquid investments. Interest earned becomes KIOS revenue.

#### BUDGET AND FINANCIAL POLICIES

One of the most time consuming activities carried out by the Governing Board and staff involves the preparation and adoption of an annual budget. KIOS must deal with changes in revenues which can vary greatly from one year to the next. These uncontrollable factors must be dealt with while also addressing the educational needs of a continually changing school district which KIOS-FM is a part of. Certain procedures must be carried out when adopting a budget. There are also deadlines to meet throughout the budget adoption process.

- **Determining Budget Authority:** All political subdivisions in the State of Nebraska are under spending limitations on their general fund budget. With the down turn in the State's economy, these restrictions were reduced further.
- **Exceeding the Budget Authority:** If a political subdivision decides that the calculated budget authority is insufficient, additional measures are provided to increase the level of spending authority. Unused revenue authority carried over from the previous year would be available to be applied to a future budget.

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Management's Discussion and Analysis For the Year Ended August 31, 2015

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- **Cash Reserve Limitation:** When preparing a budget, political subdivisions are allowed, and even encouraged for cash flow purposes, to budget for cash reserve. A budgeted cash reserve is the amount of funds a political subdivision expects to have on hand at the end of the fiscal year. As revenue sources are not received evenly throughout the fiscal year, KIOS could find itself in a cash short position with bills that need to be paid. By having cash on hand, KIOS is more likely able to make payroll and pay bills when they are due, even in times of minimal cash receipts. Many political subdivisions consider at least two months of expenditures to be an adequate cash reserve.

#### OPERATIONAL ACTIVITIES

The operational gross revenue for KIOS increased by \$139,817 or 11.35%. Some of the key components that contributed to the increase were revenues from matching contributions, and the District indirect support. The following table illustrates the changes that occurred in FY2015.

	<u>2014</u>	<u>2015</u>	<u>Difference</u>	<u>% Change</u>
District Appropriations	\$ 284,761	286,506	1,745	0.61%
Grants	121,404	125,250	3,846	3.17%
Revenue For-Profit	77,744	124,040	46,296	59.55%
Revenue Not-For-Profit	132,599	231,338	98,739	74.46%
Subscriptions	518,028	516,930	(1,098)	-0.21%
Matching	28,501	22,397	(6,104)	-21.42%
Interest	101	93	(8)	-7.92%
District Indirect Support	69,048	65,449	(3,599)	-5.21%
Total	\$ <u>1,232,186</u>	<u>1,372,003</u>	<u>139,817</u>	11.35%

The increase in Revenue Not-For-Profit of \$98,739 and Revenue For-Profit of \$46,296 is a direct result of an across the board rate increase ranging from 25% to 30%.

The operating expenditures for FY2015 decreased by \$54,330 or 4.32%. The following table illustrates the changes that occurred in 2014-2015.

	<u>2014</u>	<u>2015</u>	<u>Difference</u>	<u>% Change</u>
Broadcasting	\$ 60,799	55,042	(5,757)	-9.47%
Programming	747,622	702,613	(45,009)	-6.02%
Management	115,590	125,693	10,103	8.74%
Indirect Expenses	69,048	65,449	(3,599)	-5.21%
Fundraising	176,967	171,834	(5,133)	-2.90%
Underwriting	88,427	82,608	(5,819)	-6.58%
Capital Outlay	--	884	884	100.00%
Total	\$ <u>1,258,453</u>	<u>1,204,123</u>	<u>(54,330)</u>	-4.32%

**KIOS-FM Radio**

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

**Management's Discussion and Analysis  
For the Year Ended August 31, 2015****GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The following table illustrates the changes that occurred in statement of net position items from 2014-2015.

**Statement of Net Position**

	<b>2014</b>			
	<b>(Not restated)</b>	<b>2015</b>	<b>Difference</b>	<b>% Change</b>
Current and Other Assets	\$ 1,162,313	1,338,324	176,011	15.14%
Capital Assets, net	4,745	1,844	(2,901)	-61.14%
Total Assets	<u>1,167,058</u>	<u>1,340,168</u>	<u>173,110</u>	<u>14.83%</u>
Deferred Outflows of Resources	--	36,134	36,134	100.00%
Total Assets and Deferred Outflows of Resources	<u>\$ 1,167,058</u>	<u>1,376,302</u>	<u>209,244</u>	<u>17.93%</u>
Total Liabilities	\$ 150,363	544,964	394,601	262.43%
Deferred Inflows of Resources	91,424	150,579	59,155	64.70%
Net Position	<u>925,271</u>	<u>680,759</u>	<u>(244,512)</u>	<u>-26.43%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,167,058</u>	<u>1,376,302</u>	<u>209,244</u>	<u>17.93%</u>

Net position at year end decreased by \$244,512. The primary reason for this reduction is the change in accounting principal required by GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans, which requires recognition of KIOS's share of net pension liability in the amount of \$418,843.

Total liabilities increased due to GASB Statement No. 68, accounting and financial reporting for pension plans. The current net pension liability of \$401,712 is the allocated share of the Omaha Public School's pension plan.

**Statement of Activities**

	<b>2014</b>	
	<b>(Not restated)</b>	<b>2015</b>
Revenues	\$ 1,232,186	1,377,439
Program Expenses	<u>1,263,347</u>	<u>1,203,108</u>
Change in Net Position	<u>(31,161)</u>	<u>174,331</u>
Net Position, Beginning of Year	956,432	925,271
Change in Accounting Principle	--	<u>(418,843)</u>
Net Position, Beginning of Year, as restated	<u>956,432</u>	<u>506,428</u>
Net Position at End of Year	<u>\$ 925,271</u>	<u>680,759</u>



## **KIOS-FM Radio**

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### **Management's Discussion and Analysis For the Year Ended August 31, 2015**

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#### **DISTRICT CONTACT INFORMATION**

Any questions or comments relative to this report may be directed to the Office of the Superintendent, Omaha Public Schools, 3215 Cuming Street, Omaha, NE 68131-2024, Attention: Constance Knoche. The phone number for this office is 402-557-2002, the fax number is 402-557-2019 and the District's website address is [www.ops.org](http://www.ops.org).

Respectfully submitted by:

Constance Knoche  
Chief Financial Officer  
General Finance and Administrative Services  
Omaha Public Schools  
[Constance.Knoche@ops.org](mailto:Constance.Knoche@ops.org)

Michael E. Kunkle  
Manager, Finance, Accounting, and Budget  
General Finance and Administrative Services  
Omaha Public Schools  
[Michael.Kunkle@ops.org](mailto:Michael.Kunkle@ops.org)

Omaha Public Schools does not discriminate on the basis of race, color, national origin, religion, sex, marital status, sexual orientation, disability, age, genetic information, citizenship status, or economic status in its programs, activities and employment and provides equal access to the Boy Scouts and other designated youth groups. The following individual has been designated to address inquiries regarding the non-discrimination policies: Superintendent of Schools, 3215 Cuming Street, Omaha, NE 68131 (402-557-2001).

**KIOS-FM Radio**

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

**Governmental Fund Balance Sheet / Statement of Net Position  
August 31, 2015**

	General Fund	Adjustments (Note 1)	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 520,968	--	520,968
Investments	667,349	--	667,349
Promises to give, net	139,397	--	139,397
Prepaid expenses	10,610	--	10,610
Total current assets	<u>1,338,324</u>	<u>--</u>	<u>1,338,324</u>
Capital assets			
Equipment	--	421,745	421,745
Computers	--	33,534	33,534
	--	455,279	455,279
Less accumulated depreciation	--	(453,435)	(453,435)
Total capital assets, net	<u>--</u>	<u>1,844</u>	<u>1,844</u>
Total assets	<u>1,338,324</u>	<u>1,844</u>	<u>1,340,168</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	--	36,134	36,134
Total assets and deferred outflows of resources	<u>\$ 1,338,324</u>	<u>37,978</u>	<u>1,376,302</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 40,910	--	40,910
Accrued payroll liabilities	72,685	29,657	102,342
Net pension liability	--	401,712	401,712
Total liabilities	<u>113,595</u>	<u>431,369</u>	<u>544,964</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	106,363	--	106,363
Pension related deferred inflows	--	44,216	44,216
Total deferred inflows of resources	<u>106,363</u>	<u>44,216</u>	<u>150,579</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances			
Nonspendable	10,610	(10,610)	--
Unassigned	1,107,756	(1,107,756)	--
Total fund balances	<u>1,118,366</u>	<u>(1,118,366)</u>	<u>--</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,338,324</u>		
<b>Net position</b>			
Net investment in capital assets		1,844	1,844
Unrestricted		678,915	678,915
Total net position		<u>680,759</u>	<u>680,759</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 37,978</u>	<u>1,376,302</u>

*See accompanying notes to the financial statements*

**KIOS-FM Radio**

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

**Statement of Governmental Fund Revenue, Expenditures  
and Changes in Fund Balance / Statement of Activities  
For the Year Ended August 31, 2015**

	General Fund	Adjustments (Note 1)	Statement of Activities
<b>REVENUES</b>			
District appropriation	\$ 286,506	5,436	291,942
Community service grants from the Corporation for Public Broadcasting	125,250	--	125,250
Revenues from for-profit entities	124,040	--	124,040
Revenues from not-for-profit entities	231,338	--	231,338
Gross marathon income, subscriptions, and memberships	516,930	--	516,930
Matching receipts	22,397	--	22,397
Interest on investments	93	--	93
District indirect support	65,449	--	65,449
Total revenues	<u>1,372,003</u>	<u>5,436</u>	<u>1,377,439</u>
<b>EXPENDITURES/EXPENSES</b>			
Current			
Broadcasting	55,042	--	55,042
Programming and production	702,613	--	702,613
Management and general	125,693	(3,916)	121,777
Indirect expenses	65,449	--	65,449
Fundraising	171,834	--	171,834
Underwriting and grant solicitation	82,608	--	82,608
Capital outlay	884	2,901	3,785
Total expenditures/expenses	<u>1,204,123</u>	<u>(1,015)</u>	<u>1,203,108</u>
EXCESS OF REVENUES OVER EXPENDITURES	167,880	(167,880)	--
CHANGE IN NET POSITION	<u>--</u>	<u>174,331</u>	<u>174,331</u>
<b>FUND BALANCE/NET POSITION</b>			
BEGINNING OF YEAR	950,486	--	925,271
CHANGE IN ACCOUNTING PRINCIPLE	<u>--</u>	<u>--</u>	<u>(418,843)</u>
BEGINNING OF YEAR, AS RESTATED	<u>950,486</u>	<u>--</u>	<u>506,428</u>
END OF YEAR	<u>\$ 1,118,366</u>	<u>--</u>	<u>680,759</u>

*See accompanying notes to the financial statements*

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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#### (1) Summary of Significant Accounting Policies

These financial statements present KIOS, an aggregated fund of Douglas County School District #0001 (District). The following is a summary of the significant accounting policies of KIOS-FM Radio (KIOS):

##### A. *Reporting Entity*

KIOS is operated by Douglas County School District #0001 (the District) and broadcasts in the Omaha metropolitan area. KIOS is governed by the Board of Education of Douglas County School District #0001 and is included in the governmental funds of the District. The financial statements present only the financial position and changes in financial position of KIOS and does not purport to, and does not present fairly the financial position of the District as of August 31, 2015 or the changes in its financial position for the year then ended. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

For financial reporting purposes, KIOS includes Friends of KIOS (blended component unit), a Nebraska nonprofit tax-exempt organization affiliated with KIOS. Friends of KIOS is the only entity over which KIOS exercises oversight responsibility. The responsibility is exercised through the District's Board of Education and includes such duties as appointment of the board of directors and overseeing the investments made by management. The Friends of KIOS's financial data, which is made up of cash and investments, is included in the financial statements of KIOS.

##### B. *Basis of Presentation*

A combined Government-wide and fund basis financial statement has been presented, with eliminations and adjustments included as part of the statements. The Government-wide financial statements include the financial activities of the overall government, whereas, the fund financial statements provide information about specific funds, with the emphasis on major governmental funds. KIOS has elected to present a combined Government-wide and fund basis financial statement because it has only one all-purpose governmental fund.

The financial transactions of KIOS are blended into the governmental funds of the District. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures.

##### C. *Basis of Accounting*

###### Government-Wide Financial Statements

The Government-wide financial statements for KIOS are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

###### Governmental Fund Financial Statements

Governmental funds for KIOS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements

For the Year Ended August 31, 2015

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determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and pension obligations which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

#### Adjustments and Eliminations

As noted above, the fund-basis financial statements and the Government-wide financial statements each use a different basis of accounting. The adjustments and eliminations presented on the financial statements represent the amounts needed to reconcile the fund-basis financial statements with the Government-wide financial statements. Following is a brief description of the reconciling adjustments:

- (1) The fund-basis financial statements report capital outlays as expenditures, whereas in the Government-wide financial statements, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.
- (2) Termination benefits are not due and payable in the current period, and therefore are not reported in the fund-basis statements. On the Government-wide basis, these liabilities are included as liabilities on the Statement of Net Position, and the change in liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.
- (3) Net pension liability is not due and payable in the current period, and therefore is not reported in the fund-basis statements. On the Government-wide basis, this liability is included in the Statement of Net Position, and the change in liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.
- (4) Pension related deferred inflows and outflows represent the future acquisition of, and consumption of, net position, respectively, and are not reported in the fund-basis statements. On the Government-wide Basis, these items are included in the Statement of Net Position, and changes in these amounts from the prior fiscal year are included as additions to or reductions of revenues and expenses, respectively.

#### *D. Cash and Cash Equivalents*

KIOS's cash and cash equivalents are maintained by the District where it is pooled with the District's funds. KIOS's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### *E. Investments*

Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates. KIOS investments are maintained by the District where they are pooled with the District's funds.

#### *F. Promises to Give*

Promises to give donations in the future are recognized at net realizable value. An allowance for uncollectible pledges is maintained at a balance which, in the opinion of management, is adequate to reflect the promises to give at the net realizable value.

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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#### G. *Capital Assets and Depreciation*

Capital assets purchased or acquired by KIOS, with a value over \$5,000, are recorded at cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Equipment	5 years
Computers	3 years

#### H. *Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

#### I. *Compensated Absences*

Full time 12-month employees accrue vacation on a semi-monthly or monthly basis, depending on the applicable pay period. All unused days from prior years are carried over, however, the maximum accumulated vacation days can never exceed the current year authorization plus 5 days. Days can be used, or paid to the employee if the employee terminates employment or transfers to a position which no longer qualifies for vacation. Payment is the number of days remaining times the employee's daily rate of pay.

All full time employees are eligible for sick leave benefit days. Days are awarded annually on August 1 and days from prior years carry over. Ten-month employees earn 10 days annually and twelve-month employees earn 12 days annually. Employees can carry up to a maximum balance dependent on their number of annual duty days worked and as specified per negotiated contracts.

If an employee retires through normal or early retirement, and has more than 10 sick days accrued, they are eligible to participate in the accumulated sick leave conversion program. Accumulated days are converted to a health reimbursement account or tax sheltered annuity 403(b) on the employee's behalf at 50% of their pay rate (Note 6). Employees that have a balance of 10 days or less are paid the value of their days as per the calculation above. Certificated employees that have at least 18 years of creditable service and classified employees that have at least 20 years of creditable service are eligible for the sick leave conversion program. The calculation is same as above.

Total obligations as of August 31, 2015 for compensated absences amounted to \$48,464 included in accrued payroll liabilities in the statement of net position.

#### J. *Deferred Inflows of Resources*

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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#### K. *Net Position/Fund Balances*

Net position of KIOS is classified in three components for government-wide presentation:

- Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted net position results when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At August 31, 2015, KIOS has no restricted net position items.
- Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

KIOS first applies restricted resources when an expense incurred for purposes for which both restricted and unrestricted resources are available.

Fund balance of KIOS is classified in the governmental fund financial statements as follows:

- Nonspendable fund balance consists of amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be kept intact. At August 31, 2015, KIOS had nonspendable fund balance for prepaid expenses in the amount of \$10,610.
- Restricted fund balance consists of amounts that are restricted for specific purposes. These restrictions are either imposed by 1) externally imposed by creditors, grantors contributors, or laws or regulations of other governments or 2) imposed through constitutional provisions or enabling legislation. At August 31, 2015, KIOS had no restricted fund balance.
- Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless District removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Education is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution. At August 31, 2015, KIOS had no committed fund balance.
- Assigned fund balance consists of amounts that are constrained by KIOS intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the District's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The District management staff will have the overall responsibilities for monitoring these balances. At August 31, 2015, KIOS had no assigned fund balance.
- Unassigned fund balance is the residual classification for the general fund. The general fund is the only fund to report a positive unassigned fund balance.

## KIOS-FM Radio

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### Notes to Financial Statements For the Year Ended August 31, 2015

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#### L. *Budget Process*

KIOS prepares its operating budget using the cash basis of accounting, which is different from that used for financial reporting purposes. The operating budget includes disbursements and the means of financing them. The operating budget of KIOS is included within the legally adopted budget of the District. Public hearings are conducted to obtain taxpayer comments. The budget is legally adopted by the governing board through passage of a resolution in accordance with state statutes. Total disbursements cannot legally exceed the adopted budget. Any revisions to the adopted budget must be approved by the governing board.

#### M. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### N. *Pension*

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Omaha School Employees' Retirement System (OSERS) and additions to/deductions from OSERS' fiduciary net position have been determined on the same basis as they are reported by OSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### O. *Income Taxes*

Friends of KIOS is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and has received a determination letter stating that it is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. The Internal Revenue Service has established standards to be met to maintain Friends of KIOS's tax exempt status.

#### P. *Subsequent Events*

KIOS considered events occurring through November 5, 2015 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

### (2) **Deposits and Investments**

State statutes and the District's investment policy govern KIOS's deposits and investments. Nebraska Revised Statute §79-1043 provides that the District may, by and with the consent of the Board of Education of the District, invest the funds of the District in securities, including repurchase agreements, the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

Collateral is required for any demand deposits, savings accounts, and certificates of deposit at 102% of all amounts not covered by federal deposit insurance. Obligations that may be pledged are as follows:

- U.S. Treasury Bills, Treasury Notes, and Treasury Bonds or other United States securities guaranteed by or for which the credit of the United States is pledged for the payment of principal and interest or dividends.



## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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- Bonds, debentures or other obligations issued by the Federal National Mortgage Association, the Federal Home Loan Corporation, or Government National Mortgage Association or any other obligations of any agency controlled or supervised by and acting as an instrumentality of the United States government pursuant to authority granted by Congress of the United States whose timely payment is unconditionally guaranteed by the United States of America.

The carrying value of deposits and investments at August 31, 2015 is as follows:

Deposits in financial institutions	\$ 520,968
Certificates of deposit	27,592
Equity securities	51,531
Nebraska Liquid Asset Fund	<u>588,226</u>
	<u>\$ 1,188,317</u>

KIOS's bank accounts and investments are held by the District's agents in the District's name in accordance with state statutes. As of August 31, 2015, the carrying amount of KIOS's cash and cash equivalents was \$520,968. KIOS's deposits are included with other District deposits at a bank. The deposits were entirely insured by the FDIC or collateralized with securities in the name of the District.

The investments consist primarily of short-term certificates of deposit and investments in the Nebraska Liquid Asset Fund (NLAF). NLAF is similar in nature to a mutual fund. Its portfolio consists solely of instruments in which school entities are permitted to invest under Nebraska law. The value of KIOS's investments as of August 31, 2015 was \$667,349.

➤ Legal and Contractual

The Board of Directors has established the investment philosophy of the Friends of KIOS. The investment philosophy emphasizes a balance of both income and growth. While the Friends of KIOS can invest in any type of investment available in the market, they have chosen to follow the investment practices of the District.

➤ Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to it. The Friends of KIOS does not have a deposit policy for custodial credit risk. As of August 31, 2015, the Friends of KIOS had total deposits of \$68,314. This amount was insured and collateralized.

➤ Interest Rate Risk

It is the practice of Friends of KIOS to minimize credit risk and to avoid extreme fluctuations in both the market value and the income from investments. The Friends of KIOS currently has an investment in the Weitz Value fund. The cash composite of the fund was 18.54% of the fund balance as of August 31, 2015. The market value of the fund held by Friends of KIOS and the concentration of cash on the fund are as follows:

**KIOS-FM Radio**

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**Notes to Financial Statements  
For the Year Ended August 31, 2015**

	Market Value	Cash
	<u>                    </u>	<u>                    </u>
Weitz Fund	\$ <u>51,531</u>	<u>9,554</u>

## ➤ Individual Debt Investment

The Friends of KIOS investments at August 31, 2015 contained no individual highly sensitive debt investments with exposure to interest rate changes.

**(3) Capital Assets**

The changes in capital assets of KIOS are as follows:

	Balance August 31, 2014	Additions	Retirements	Balance August 31, 2015
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Equipment	\$ 421,745	--	--	421,745
Computers	<u>37,379</u>	<u>884</u>	<u>(4,729)</u>	<u>33,534</u>
Total capital assets, at cost	459,124	884	(4,729)	455,279
Less accumulated depreciation	<u>454,379</u>	<u>3,785</u>	<u>(4,729)</u>	<u>453,435</u>
Net capital assets	\$ <u>4,745</u>	<u>(2,901)</u>	<u>--</u>	<u>1,844</u>

**(4) Indirect Support**

District indirect support for the year ended August 31, 2015 consists of the following:

Administration (calculated using a state-approved restricted indirect cost rate)	<u>\$65,449</u>
--	-----------------

**(5) Concentrations of Revenue**

At August 31, 2015, District appropriations represented 21% of revenue while grants from the Corporation for Public Broadcasting represented 9% of revenue.

**(6) Termination Benefits**Accumulated Sick Leave

In January 2006, the Board of Education approved a mandatory plan for conversion of accumulated sick leave benefits into a supplemental retirement income benefit and/or post-retirement medical expense reimbursement program upon an employee's retirement from the District. These benefits will be funded by the District on a pay-as-you-go basis at the time of each employee's retirement. The amount of this benefit is equal to one-half of the employee's unused accumulated sick leave at the time of his/her retirement and is solely funded by the District. The District will make a determination based upon an interview with each employee prior to his or her retirement date as to which benefit will be most beneficial for the employee – (1) a tax sheltered annuity 403(b); or (2) health reimbursement account.

## KIOS-FM Radio

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### Notes to Financial Statements For the Year Ended August 31, 2015

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The District is the Plan Administrator for this program and may choose to contract with a third party administrator to manage the day-to-day activity associated with these benefits. The total obligation for the accumulated sick leave benefit is recognized in the District's financial statements.

#### (7) Retirement System

##### Plan Description

The employees of KIOS are covered by Omaha Schools Employees' Retirement System (OSERS). OSERS is a single-employer defined benefit retirement plan.

In accordance with Nebraska statutes, OSERS is governed by the Board of Education, which is advised by a Board of Trustees composed of three employees, one annuitant, three Board of Education members, two business people, and the Superintendent of the District. OSERS is administered by the Executive Director of OSERS. The State of Nebraska has the authority under which plan provisions and obligations may be amended or established.

OSERS issues a publicly available financial report that includes financial statements and required supplementary information for OSERS. That report may be obtained by contacting the Omaha School Employees' Retirement System by e-mail at [osers@ops.org](mailto:osers@ops.org), by phone at 402-557-2102, or by mail at 3215 Cuming Street, Omaha, NE 68131-2024.

##### Contributions

KIOS employees are required to contribute 9.78% of their annual salary to OSERS. The District contributes 9.878% of member salaries or such amount above 9.878% necessary to maintain the solvency of OSERS. For fiscal years beginning July 1, 2009 until July 1, 2014, the State of Nebraska contributes 1% of the employees' compensation in accordance with State Statute 79-988.01. For fiscal years following July 1, 2014, the State of Nebraska will contribute 2% of employees' compensation. Total contributions for KIOS for the year ending August 31, 2015 amounted to \$36,134.

##### Benefits Provided

Each employee who has completed five or more years of creditable service is eligible to elect a deferred vested service annuity in lieu of a refund of accumulated contributions. OSERS provides for various benefits including normal retirement benefits, early retirement benefits, disability benefits, and pre-retirement and post-retirement survivor benefits. These benefits are paid monthly from OSERS. For members hired prior to July 1, 2013, the benefits under OSERS are based on an average of the highest three years of salary earned by employees during their employment with the District, up to their normal retirement dates. For members hired on or after July 1, 2013, the benefits under OSERS are based on an average of the highest five years of salary earned by employees during their employment with the District, up to their normal retirement dates. Employees who terminate employment with fewer than five years of creditable service can elect to receive a refund or a rollover of the employee's contributions, plus accrued interest. For members hired prior to July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.5% or the increase in the consumer price index (CPI), whichever is lower. For members hired on or after July 1, 2013, retirement benefits are increased by an annual, automatic cost of living adjustment of 1.0% or the increase in the CPI, whichever is lower. Following 10 full years of retirement, a medical cost of living supplement is paid. This supplement equals \$10 per month for each year retired and increases by \$10 each year to a maximum of \$250 per month. For retirees with less than twenty years of service, the benefit is reduced proportionately.

## KIOS-FM Radio

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### Notes to Financial Statements For the Year Ended August 31, 2015

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#### Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, KIOS reported a liability of \$401,712 for its proportionate share of the net pension liability that reflected a reduction for the state of Nebraska support provided to OSERS. KIOS's net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. KIOS's proportion of the net pension liability was based on KIOS's share of contributions to the pension plan relative to the contributions of all District contributions to OSERS. At August 31, 2015, KIOS's proportion was 0.0930 percent.

By statute, the state of Nebraska contributes 2.0% of members' compensation to fund the benefits provided by OSERS. Therefore, the State's proportionate share of collective net pension liability of KIOS at August 31, 2014 is 0.0185 percent. KIOS recognized revenue in the amount of \$5,436 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2015.

For the year ended August 31, 2015, the District recognized pension expense of \$27,085. At August 31, 2015, the District reported 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 experience	\$ --	--
Changes of assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	--	44,216
Changes in proportion and differences between District contributions and proportionate share of contributions	--	--
District contributions subsequent to the measurement date	<u>36,134</u>	<u>--</u>
	<u>\$ 36,134</u>	<u>44,216</u>

Deferred outflows of resources related to pensions included \$36,134 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31:</u>	
2016	\$ 11,054
2017	11,054
2018	11,054
2019	<u>11,054</u>
Total	<u>\$ 44,216</u>

## KIOS-FM Radio

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### Notes to Financial Statements For the Year Ended August 31, 2015

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#### Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation performed as of September 1, 2013, using standard actuarial formula and using the following key actuarial assumptions:

#### Actuarial Assumptions:

Inflation Rate .....	3.00%
General Wage Growth .....	4.00%
Long-term Rate of Return .....	8.00%
Municipal Bond Index Rate .....	4.23%
Single Equivalent Interest Rate.....	8.00%
Salary Increases .....	4.00% to 5.60%
Post-retirement Increases.....	1.5% members hired before July 1, 2013 1.0% members hired after July 1, 2013
Mortality .....	Pre-retirement mortality rates were based on the RP 2000 Combined Mortality Table, female rates set back 1 year and male rates with no set back, projected on a generational basis using Scale AA. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the same tables as the post-retirement tables, with ages set forward 10 years.

The actuarial assumptions used in the September 1, 2013 valuation were based on the results of the most recent actuarial experience study, which covered the five-year period ending August 31, 2012.

Information relating to the discount rate used in the actuarial valuations is as follows:

**Discount rate:** The discount rate used to measure the total pension liability at August 31, 2014 was 8.00%. There was no change in the discount rate since the prior measurement date.

**Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that plan contributions from members, the District and the state of Nebraska will be made at the current contribution rates as set out in state statute:

- a. Employee contribution rate: 9.78% of compensation.
- b. District contribution rate: 101% of the employee contribution rate.
- c. State contribution rate: 2% of the members' compensation.

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

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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**Long-term rate of return:** The long-term expected rate of return on plan assets was determined using a log-normal distribution analysis, in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed for each asset class. These ranges were 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 then adding expected inflation.

**Municipal bond rate:** A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 4.23%

**Periods of projected benefit payments:** Projected future benefit payments for all current OSERS members were projected through 2112.

**Assumed asset allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Small Cap Equity	12%	7.1%
Global Equity	15%	7.6%
Specialty Funds	15%	11.0%
Alternatives	25%	7.6%
Fixed Income	5%	3.4%
High Yield Investments	16%	5.9%
Real Estate	12%	7.0%
Total	<u>100%</u>	

**Sensitivity analysis:** The following presents the net pension liability of OSERS, calculated using the discount rate of 8%, as well as OSERS' net pension liability calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
<b>Net pension liability</b>	<u>\$596,237</u>	<u>\$401,712</u>	<u>\$239,148</u>

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued Omaha School Employees' Retirement System financial report.

#### Payable to the Pension Plan

At August 31, 2015, KIOS reported a payable of \$3,064 for the outstanding amount of contributions to the pension plan required for the year ended August 31, 2015.

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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#### (8) Commitments and Contingencies

KIOS is under the umbrella of the Douglas County School District #0001 and is included as "The District" in the paragraph below:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District contracts with reputable carriers and utilizes deductibles ranging from \$2,500 to \$1,000,000 per claim, and \$1,000,000 to \$5,120,849 in the aggregate, depending on the type of insurance. The District has established four separate funds to address the payment of claims that are less than the deductible amounts. Actual claims paid from these funds did not exceed the District's expectations during the fiscal year ended August 31, 2015. Also, the District has a line of credit up to \$500,000 with a financial institution for purposes of payment of premiums for general liability and automobile liability.

#### (9) Government-Wide Financial Statement Reconciliation

KIOS recognizes certain transactions on the Government-wide financial statements that are treated differently on the Governmental fund financial statements. The following is a reconciliation of the fund balances/net position and changes in fund balances/net position from the Governmental fund financial statements to the Government-wide financial statements:

##### Governmental Fund Balance Sheet/Statement of Net Position

Fund balance - general fund	\$ 1,118,366
Capital assets, net	1,844
Deferred outflows of resources	36,134
Accumulated sick leave	(29,657)
Net pension liability	(401,712)
Deferred inflows of resources	<u>(44,216)</u>
Net position - Government-wide	\$ <u>680,759</u>

##### Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Change in fund balance - general fund	\$ 167,880
Capital assets acquired	884
Depreciation expense	(3,785)
Changes in net pension liability	9,049
Accumulated sick leave	<u>303</u>
Change in net position - Government-wide	\$ <u>174,331</u>

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Notes to Financial Statements For the Year Ended August 31, 2015

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#### (10) Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position August 31, 2014, as previously reported	\$ 925,271
Net pension liability at August 31, 2014	(454,522)
Deferred outflows of resources related to contributions made after the September 1, 2014 measurement date	<u>35,679</u>
Net position September 1, 2014, as restated	<u>\$ 506,428</u>



**KIOS-FM Radio**

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**Required Supplementary Information  
Schedule of KIOS' Proportionate Share of the Net Pension Liability  
For the Year Ended August 31, 2015 (thousands of dollars)**Omaha School Employees' Retirement System  
Last Fiscal Year\*

	<u>2015</u>
KIOS's proportion of net pension liability	0.0930%
KIOS's proportionate share of the net pension liability	\$ 401,712
State of Nebraska's proportionate share of the net pension liability associated with KIOS	<u>5,436</u>
Total	<u>\$ 407,148</u>
KIOS's covered-employee payroll	\$ 365,807
KIOS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.82%
Plan fiduciary net position as a percentage of the total pension liability	74.98%

\* The amounts presented for each fiscal year were determined as of August 31.

*See accompanying independent auditor's report***Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, KIOS will present information for those years for which information is available.

**KIOS-FM Radio**

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**Required Supplementary Information and Notes to Required Supplementary Information  
Schedule of KIOS Contributions and Notes to Schedule  
For the Year Ended August 31, 2015**Omaha School Employees' Retirement System  
Last 10 Fiscal Years\*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	36,134	35,679	33,990	36,841	29,483	27,730	23,116	22,199	15,552	12,751
Contributions in relation to the statutorily required contribution	<u>36,134</u>	<u>35,679</u>	<u>33,990</u>	<u>36,841</u>	<u>29,483</u>	<u>27,730</u>	<u>23,116</u>	<u>22,199</u>	<u>15,552</u>	<u>12,751</u>
Contribution deficiency (excess)	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
District's covered employee payroll	365,807	361,204	361,865	392,218	351,700	330,789	313,522	301,085	244,413	200,393
Contributions as a percentage of covered employee payroll	9.878%	9.878%	9.393%	9.393%	8.383%	8.383%	7.373%	7.373%	6.363%	6.363%

\* The amounts presented for each fiscal year were determined as of August 31.

*See accompanying independent auditor's report*

## KIOS-FM Radio

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### Required Supplementary Information and Notes to Required Supplementary Information Schedule of KIOS Contributions and Notes to Schedule For the Year Ended August 31, 2015

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#### Notes to the Schedule:

**Changes of benefit terms:** The following changes to the Plan provisions were made by the Nebraska Legislature and reflected in the valuation performed as of September 1, 2013 listed below:

- 2013: The 2013 session of the Nebraska legislature enacted Legislative Bill 553 (LB 553), which increased the Member's contribution rate from 9.3% of pay to 9.78% of pay. The School District's contribution rate is equal to 101% of the employee contribution rate so the District's contribution rate increased from 9.393% of pay to 9.878% of pay. The State contribution rate also increased permanently from 1% (plus \$973,301) to 2% of payroll, effective July 1, 2014. LB 553 also created a new benefit structure for members hired on or after July 1, 2013 with the same benefit structure as pre-July 1, 2013 hires except annual cost of living adjustments are the lesser of 1% or CPI and final average compensation is defined as 1/60 of the total compensation received during the five fiscal years of highest compensation.
- 2011: The member contribution rate was increased by the 2011 Legislature from 8.30% to 9.30%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1.00% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.
- 2009: Legislation passed in 2009 increased the employee contribution rate from 7.30% to 8.30% of pay. The School District contributes 101% of the employee rate so the District's contribution increased from 7.373% to 8.383% of pay. The legislation that enacted these changes also provided for a temporary increase in the State's contribution rate from 0.70% to 1.00% of pay for July, 2009 to July, 2014.
- 2007: Legislation passed in 2007 increased the employee contribution rate from 6.30% to 7.30% of pay and provided for the employer contribution rate of 101% of the employee rate.

#### Changes in actuarial assumptions:

9/1/2013 valuation:

- The one-year age set forward in mortality rates for active male employees was eliminated.
- Classified members' retirement rates were adjusted.
- Vested Certificated members' assumption to elect a refund of was adjusted at certain ages.
- The assumed interest rate credited on member contribution accounts was lowered from 7% to 3%.

9/1/2010 valuation:

- The inflation assumption was changed from 3.50% to 3.00%
- The real rate of return increased from 4.50% to 5.00%.
- The productivity portion of the general wage increase assumption increased from 0.50% to 1.00%.

9/1/2008 valuation:

- Mortality table was changed to the RP-2000 table with age adjustments (+1 male, -1 female) and generational projections of mortality improvements.
- Retirement rates were adjusted to better fit the observed experience.
- The use of a disability assumption was eliminated.

## KIOS-FM Radio

(A Public Telecommunications Entity Operated by Douglas County School District #0001)

### Required Supplementary Information and Notes to Required Supplementary Information Schedule of KIOS Contributions and Notes to Schedule For the Year Ended August 31, 2015

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- Termination rates were modified to better fit the observed experience.
- Small adjustments based on actual experience were made to the election of a refund assumption.

9/1/2007 valuation:

- The actuarial value of assets was reset to the actual market value.
- The funding policy was set equal to the normal cost plus amortization of the unfunded actuarial liability over a closed 30 year period, commencing September 1, 2007.

#### Method and assumptions used in calculations of Actuarially Determined Contributions:

The System is funded by statutory contribution rates for members, the School District and the state of Nebraska. The Actuarially Determined Contributions in the *Schedule of Employer Contributions* are calculated as of the beginning of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported for the most recent Measurement Date, August 31, 2014 (based on the September 1, 2013 actuarial valuation).

Actuarial Cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Market related smoothed value
Price inflation	3.00%
Salary increases, including wage inflation	4.00% to 5.60%
Long-term rate of return, net of investment expense, and including inflation	8.00%
Cost-of-living adjustments	1.50% if hired before July 1, 2013 1.00% if hired on or after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month)

**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**

**Independent Auditor's Report**

To the Board of Education  
Douglas County School District #0001:

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 the governmental activities and major fund of KIOS-FM Radio (a public telecommunications entity operated by Douglas County School District #0001) (KIOS) an aggregated fund of the Douglas County School District #0001 (the District), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise KIOS' basic financial statements, and have issued our report thereon dated November 5, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered KIOS'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIOS's internal control. Accordingly, we do not express an opinion on the effectiveness of KIOS'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 KIOS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 KIOS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KIOS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*SEIM JOHNSON, LLP*

Omaha, Nebraska,  
November 5, 2015.