

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

**Financial Statements
and Supplementary Information
August 31, 2016**

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 Douglas County School District #0001 (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise 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, 2016, 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, 2016, 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.

Our opinion is not modified with respect to this matter.

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 the Net Pension Liability on page 23, Schedule of KIOS Contributions on page 24, and Notes to the Required Supplementary Information – Pension Liability 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 December 2, 2016 on our consideration of 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 KIOS's internal control over financial reporting and compliance.

SEIM JOHNSON, LLP

Omaha, Nebraska,
December 2, 2016.

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, 2016



| |
|---|
| <p>MANAGEMENT'S DISCUSSION AND ANALYSIS KIOS-FM Radio</p> |
|---|

OVERVIEW

A combined Government-wide and fund basis financial statements of KIOS-FM Radio (KIOS) have been presented, with eliminations and adjustments included as part of the financial 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 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 (GASB). 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 the 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's 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. 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.

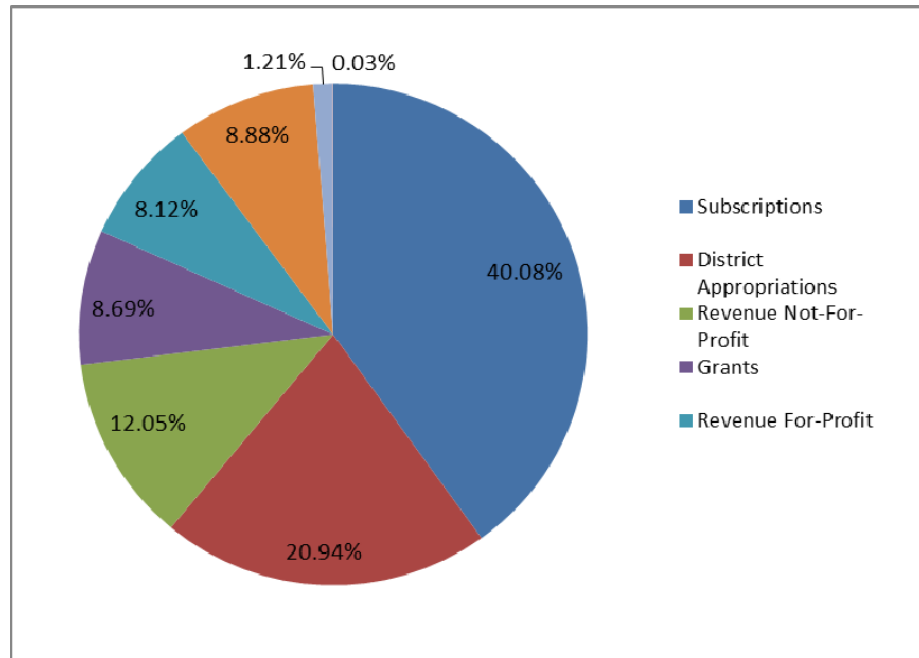
FINANCIAL STRUCTURE

The operating funds of KIOS-FM Radio are not supported by levying for property taxes. The Revenue comes from five major sources, which are: grants from Corporation for Public Broadcasting 9%, district appropriations 20%, memberships and subscriptions 40%, donations from for-profit entities 8%, and donations from non-profit entities 12%. The remaining 11% is composed of interest income, district indirect support, and matching receipts.

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- **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:** Political subdivisions in the State of Nebraska with regards to School Districts are under spending limitations on their general fund budget. This restriction can impact KIOS-FM when financial resources become tight.
- **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.

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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 \$65,559 or 4.78%. Some of the key components that contributed to the increase were revenues from subscriptions, and the District indirect support. The following table illustrates the changes that occurred in FY2016.

| | <u>2015</u> | <u>2016</u> | <u>Difference</u> | <u>% Change</u> |
|---------------------------|---------------------|------------------|-------------------|-----------------|
| District Appropriations | \$ 286,506 | 292,781 | 6,275 | 2.19% |
| Grants | 125,250 | 125,810 | 560 | 0.45% |
| Revenue For-Profit | 124,040 | 117,510 | (6,530) | -5.26% |
| Revenue Not-For-Profit | 231,338 | 174,495 | (56,843) | -24.57% |
| Subscriptions | 516,930 | 580,345 | 63,415 | 12.27% |
| Matching | 22,397 | 17,588 | (4,809) | -21.47% |
| Interest | 93 | 445 | 352 | 378.49% |
| District Indirect Support | 65,449 | 128,628 | 63,179 | 96.53% |
| Total | \$ <u>1,372,003</u> | <u>1,437,602</u> | <u>65,599</u> | <u>4.78%</u> |

The increase in District Indirect Support of \$63,179, or 96.53% is a direct result of an increase in the indirect cost percentage from 5.8% to 10%. The increase in subscriptions was \$63,415, or 12.27%. This is a direct result of the continued increase of the sustaining pledge program that was started several years ago. In addition, subscriptions benefited from having a membership assistant for a full year where there was a vacancy in 2015.

Revenue for not-for-profit decreased by \$56,843 or 24.57%. This decrease is a direct result of two connected events. The first event is that KIOS lost a major donor which had a contract for approximately \$25,000 in fiscal year 2015 that was not renewed in fiscal year 2016. The second event was that fiscal year 2015 was an extraordinary year for donations. Several smaller vendors did not renew or renewed for a smaller contract amount. The amount collected for this year is reverting back to a normal amount.

The operating expenditures for FY2016 increased by \$211,062 or 17.53%. The following table illustrates the changes that occurred in 2015-2016.

| | <u>2015</u> | <u>2016</u> | <u>Difference</u> | <u>% Change</u> |
|-------------------|---------------------|------------------|-------------------|-----------------|
| Broadcasting | \$ 55,042 | 58,798 | 3,756 | 6.82% |
| Programming | 702,613 | 793,855 | 91,242 | 12.99% |
| Management | 125,693 | 127,958 | 2,265 | 1.80% |
| Indirect Expenses | 65,449 | 128,628 | 63,179 | 96.53% |
| Fundraising | 171,834 | 181,324 | 9,490 | 5.52% |
| Underwriting | 82,608 | 99,190 | 16,582 | 20.07% |
| Capital Outlay | 884 | 25,432 | 24,548 | 100.00% |
| Total | \$ <u>1,204,123</u> | <u>1,415,185</u> | <u>211,062</u> | <u>17.53%</u> |

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The increase in Programming of \$91,242, or 12.99%, and Indirect Expenses of \$63,179, or 96.53%, are a direct result of increased programming costs and the addition of several new programs from 2015 and also the change of the indirect cost percentage from 5.8% to 10%.

Underwriting cost increased by \$16,582, or 20.07%. This is a direct result of a management incentive that was paid to staff as a result of the outstanding performance in fund raising in the 2015 fiscal year.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The following table illustrates the changes that occurred in statement of net position items from 2015-2016.

Statement of Net Position

| | <u>2015</u> | <u>2016</u> | <u>Difference</u> | <u>% Change</u> |
|--|---------------------|------------------|-------------------|-----------------|
| Current and Other Assets | \$ 1,338,324 | 1,365,004 | 26,680 | 1.99% |
| Capital Assets, net | 1,844 | 25,274 | 23,430 | 1270.61% |
| Total Assets | 1,340,168 | 1,390,278 | 50,110 | 3.74% |
| Deferred Outflows of Resources | 36,134 | 150,925 | 114,791 | 100.00% |
| Total Assets and Deferred Outflows of Resources | \$ <u>1,376,302</u> | <u>1,541,203</u> | <u>164,901</u> | <u>11.98%</u> |
| Total Liabilities | \$ 544,964 | 712,992 | 168,028 | 30.83% |
| Deferred Inflows of Resources | 150,579 | 116,316 | (34,263) | -22.75% |
| Net Position | 680,759 | 711,895 | 31,136 | 4.57% |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ <u>1,376,302</u> | <u>1,541,203</u> | <u>164,901</u> | <u>11.98%</u> |

KIOS is in the process of updating its production equipment. In the current fiscal year it acquired new broadcasting equipment for approximately \$25,000.

Total liabilities increased due to GASB Statement No. 68, accounting and financial reporting for pension plans. The current net pension liability of \$535,649 is the proportionate share of the Omaha Public School's net pension plan liability compared to \$401,712 in the prior year.

Statement of Activities

| | <u>2015</u> | <u>2016</u> |
|--|-------------------|----------------|
| Revenues | \$ 1,377,439 | 1,448,047 |
| Program Expenses | 1,203,108 | 1,416,911 |
| Change in Net Position | 174,331 | 31,136 |
| Net Position, Beginning of Year | 925,271 | 680,759 |
| Change in Accounting Principle | (418,843) | -- |
| Net Position, Beginning of Year, as restated | 506,428 | 680,759 |
| Net Position, End of Year | \$ <u>680,759</u> | <u>711,895</u> |

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Management's Discussion and Analysis For the Year Ended August 31, 2016

KIOS RADIO STATION CONTACT INFORMATION

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of KIOS Radio Station accountability for the money it receives. Additional details, questions or comments can be requested from the following individuals.

Respectfully submitted by:

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Department of General Finance and Administrative Services
Omaha Public School District
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Omaha, NE 68131-2024
Voice: 531-299-9825
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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).

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**Governmental Fund Balance Sheet / Statement of Net Position
August 31, 2016**

| | General Fund | Adjustments (Note 1) | Statement of Net Position |
|--|---------------------|-------------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 581,999 | -- | 581,999 |
| Investments | 666,541 | -- | 666,541 |
| Promises to give, net | 73,478 | -- | 73,478 |
| Prepaid expenses | 42,986 | -- | 42,986 |
| Total current assets | <u>1,365,004</u> | <u>--</u> | <u>1,365,004</u> |
| Capital assets | | | |
| Equipment | -- | 446,255 | 446,255 |
| Computers | -- | 31,324 | 31,324 |
| | -- | 477,579 | 477,579 |
| Less accumulated depreciation | -- | (452,305) | (452,305) |
| Total capital assets, net | <u>--</u> | <u>25,274</u> | <u>25,274</u> |
| Total assets | <u>1,365,004</u> | <u>25,274</u> | <u>1,390,278</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | -- | 150,925 | 150,925 |
| Total assets and deferred outflows of resources | <u>\$ 1,365,004</u> | <u>176,199</u> | <u>1,541,203</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 70,153 | -- | 70,153 |
| Accrued payroll liabilities | 76,371 | 30,819 | 107,190 |
| Net pension liability | -- | 535,649 | 535,649 |
| Total liabilities | <u>146,524</u> | <u>566,468</u> | <u>712,992</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 77,697 | -- | 77,697 |
| Pension related deferred inflows | -- | 38,619 | 38,619 |
| Total deferred inflows of resources | <u>77,697</u> | <u>38,619</u> | <u>116,316</u> |
| FUND BALANCES/NET POSITION | | | |
| Fund balances | | | |
| Nonspendable | 42,986 | (42,986) | -- |
| Unassigned | 1,097,797 | (1,097,797) | -- |
| Total fund balances | <u>1,140,783</u> | <u>(1,140,783)</u> | <u>--</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,365,004</u> | | |
| Net position | | | |
| Net investment in capital assets | | 25,274 | 25,274 |
| Unrestricted | | 686,621 | 686,621 |
| Total net position | | <u>711,895</u> | <u>711,895</u> |
| Total liabilities, deferred inflows of resources and net position | | <u>\$ 176,199</u> | <u>1,541,203</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, 2016**

| | General Fund | Adjustments (Note 1) | Statement of Activities |
|--|---------------------|-------------------------|----------------------------|
| REVENUES | | | |
| District appropriation | \$ 292,781 | 10,445 | 303,226 |
| Community service grants from the Corporation for Public Broadcasting | 125,810 | -- | 125,810 |
| Revenues from for-profit entities | 117,510 | -- | 117,510 |
| Revenues from not-for-profit entities | 174,495 | -- | 174,495 |
| Gross marathon income, subscriptions, and memberships | 580,345 | -- | 580,345 |
| Matching receipts | 17,588 | -- | 17,588 |
| Interest on investments | 445 | -- | 445 |
| District indirect support | 128,628 | -- | 128,628 |
| Total revenues | <u>1,437,602</u> | <u>10,445</u> | <u>1,448,047</u> |
| EXPENDITURES/EXPENSES | | | |
| Current | | | |
| Broadcasting | 58,798 | -- | 58,798 |
| Programming and production | 793,855 | -- | 793,855 |
| Management and general | 127,958 | 25,156 | 153,114 |
| Indirect expenses | 128,628 | -- | 128,628 |
| Fundraising | 181,324 | -- | 181,324 |
| Underwriting and grant solicitation | 99,190 | -- | 99,190 |
| Capital outlay | 25,432 | (23,430) | 2,002 |
| Total expenditures/expenses | <u>1,415,185</u> | <u>1,726</u> | <u>1,416,911</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 22,417 | (22,417) | -- |
| CHANGE IN NET POSITION | | 31,136 | 31,136 |
| FUND BALANCE/NET POSITION | | | |
| BEGINNING OF YEAR | <u>1,118,366</u> | <u>--</u> | <u>680,759</u> |
| END OF YEAR | <u>\$ 1,140,783</u> | <u>--</u> | <u>711,895</u> |

See accompanying notes to the financial statements

KIOS-FM Radio

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Notes to Financial Statements For the Year Ended August 31, 2016

(1) Summary of Significant Accounting Policies

These financial statements present KIOS, an aggregated fund of Douglas County School District #0001. The following is a summary of the significant accounting policies of KIOS-FM Radio (KIOS). These policies are in accordance with accounting principles generally accepted in the United States of America.

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 accompanying financial statements present only the financial position and changes in financial position of KIOS and do not intend to, and do not present fairly the financial position of the District as of August 31, 2016 or the changes in its financial position for the year then ended in conformity 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. *Measurement Focus and 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

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Notes to Financial Statements

For the Year Ended August 31, 2016

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 and Pooled Investments

Investments are reported at fair value, except for investments in the Nebraska Liquid Asset Fund (NLAF), which are valued at amortized cost, and investments in certificates of deposit, which are stated at cost. 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.

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Notes to Financial Statements For the Year Ended August 31, 2016

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.

G. Prepaid Expenses

Prepaid expenses are payments to vendors that benefit future reporting periods reported on the consumption basis. Prepaid expenses are similarly reported in Government-wide and governmental fund financial statements.

H. 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 |

I. 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.

J. 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 at 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 the same as above.

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Notes to Financial Statements For the Year Ended August 31, 2016

Total obligations as of August 31, 2016 for compensated absences amounted to \$52,149 included in accrued payroll liabilities in the statement of net position.

K. *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 differences between expected and actual experience in the total pension liability and projected and actual earnings on pension plan investments.

L. *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, 2016, 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.

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, 2016, KIOS had nonspendable fund balance for prepaid expenses in the amount of \$42,986.
- *Restricted fund balance* consists of amounts that are restricted for specific purposes. These restrictions are either 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, 2016, 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 the 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, 2016, KIOS had no committed fund balance.

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- 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, 2016, 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 first applies restricted resources when an expense incurred for purposes for which both restricted and unrestricted resources are available.

M. *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.

N. *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.

O. *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.

P. *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.

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Notes to Financial Statements For the Year Ended August 31, 2016

Q. *Recent Accounting Pronouncements*

In February 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this statement are effective for periods beginning after June 15, 2015. Earlier application is encouraged. KIOS adopted the guidance for the 2016 fiscal year. The impact of adopting this statement is reflected in the financial statements.

R. *Subsequent Events*

KIOS considered events occurring through December 2, 2016 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 policies 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.
- 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, 2016 is as follows:

| | | |
|--------------------------------------|----|-------------------------|
| Deposits in financial institutions | \$ | 581,999 |
| Certificates of deposit | | 27,620 |
| Equity securities - Weitz Value fund | | 50,276 |
| Nebraska Liquid Asset Fund | | <u>588,645</u> |
| | \$ | <u><u>1,248,540</u></u> |

KIOS's bank accounts and investments are held by the District's agents in the District's name in accordance with state statutes. 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.

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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.

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. All deposits of KIOS were insured and fully 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 19.65% of the fund balance as of August 31, 2016.

Fair Value Measurement

The Friends of KIOS uses the fair value hierarchy established by GAAP based on the valuation used to ensure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Weitz Value fund was determined using the quoted price in active markets (Level 1 inputs).

The Friends of KIOS had no other investments meeting the disclosure requirements of GASB Statement No. 72.

(3) Capital Assets

Capital asset activity for the year ended August 31, 2016 is as follows:

| | Balance August 31, 2015 | Additions | Retirements | Balance August 31, 2016 |
|-------------------------------|----------------------------|-----------|-------------|----------------------------|
| Equipment | \$ 421,745 | 24,510 | -- | 446,255 |
| Computers | 33,534 | 922 | (3,132) | 31,324 |
| Total capital assets, at cost | 455,279 | 25,432 | (3,132) | 477,579 |
| Less accumulated depreciation | 453,435 | 2,002 | (3,132) | 452,305 |
| Net capital assets | \$ 1,844 | 23,430 | -- | 25,274 |

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Notes to Financial Statements For the Year Ended August 31, 2016

(4) Indirect Support

District indirect support for the year ended August 31, 2016 consists of the following:

| | |
|--|------------------|
| Administration (calculated using a state-approved restricted indirect cost rate) | <u>\$128,628</u> |
|--|------------------|

(5) Concentrations of Revenue

At August 31, 2016, 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.

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. Through June 30, 2016, OSERS was 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. Effective July 1, 2016, with the enactment Legislative Bill 447, the Board of Trustees was reduced to seven members, removing the three Board of Education members. 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, by phone at 531-299-0329, or by mail at 3215 Cuming Street, Omaha, NE 68131-2024.

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Notes to Financial Statements

For the Year Ended August 31, 2016

Contributions

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, 2016 amounted to \$37,699.

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 20 years of service, the benefit is reduced proportionately.

The 2016 session of the Nebraska Legislature enacted Legislative Bill 447 (LB 447), which changed the retirement provisions for members hired on or after July 1, 2016 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2016 is set at 35 years of service, age 55 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced with 35 years of service or at age 55 with 85 points. Early retirement eligibility is age 60 with five years of service. No state service annuity or medical COLA is provided for members hired on or after July 1, 2016.

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

At August 31, 2016, KIOS reported a liability of \$535,649 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, 2015, 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 0.0922%, a decrease of 0.0008% from its proportion measured at August 31, 2014.

By statute, the state of Nebraska contributes 2% 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, 2015 is 16.8381%. KIOS recognized revenue in the amount of \$10,445 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2016.

KIOS-FM Radio**(A Public Telecommunications Entity Operated by Douglas County School District #0001)****Notes to Financial Statements****For the Year Ended August 31, 2016**

For the year ended August 31, 2016, KIOS recognized pension expense of \$62,032. At August 31, 2016, KIOS 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 | \$ -- | 2,288 |
| Net difference between projected and actual earnings on pension plan investments | 113,226 | 34,027 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | -- | 2,304 |
| District contributions subsequent to the measurement date | <u>37,699</u> | <u>--</u> |
| | <u>\$ 150,925</u> | <u>38,619</u> |

Deferred outflows of resources related to pensions included \$37,699 resulting from 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:

Year Ended August 31:

| | |
|-------|--------------------|
| 2017 | \$ (16,080) |
| 2018 | (16,080) |
| 2019 | (16,079) |
| 2020 | (27,420) |
| 2021 | 885 |
| 2022 | <u>167</u> |
| Total | <u>\$ (74,607)</u> |

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation performed as of September 1, 2014, 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 | 3.74% |
| 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 |

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Notes to Financial Statements

For the Year Ended August 31, 2016

MortalityPre-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, 2014 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, 2015 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.

Long-term rate of return: The long-term expected rate of return on plan assets is reviewed as part of regular experience studies prepared periodically. The most recent analysis was performed and results were included in a report dated December 23, 2013. Generally several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by OSERS' investment consultant. 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. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the long-term inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Municipal bond rate: A municipal bond rate was not used in determining the discount rate. If it were required, the rate would be 3.74%

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2113.

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Notes to Financial Statements For the Year Ended August 31, 2016

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> |
|------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| Net pension liability | <u>735,025</u> | <u>535,649</u> | <u>368,979</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, 2016, KIOS reported a payable to OSERS of \$3,159 for legally required employer contributions and \$3,128 for legally required employee contributions withheld from employee wages which had not yet been remitted to OSERS.

(8) Commitments and Contingencies

Risk Management

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, 2016. 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. There were no amounts drawn upon the line of credit during the fiscal year ending August 31, 2016.

KIOS-FM Radio**(A Public Telecommunications Entity Operated by Douglas County School District #0001)****Notes to Financial Statements
For the Year Ended August 31, 2016**

(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 balance/net position and changes in fund balance/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 | \$ 1,140,783 |
| Capital assets, net | 25,274 |
| Deferred outflows of resources | 150,925 |
| Accumulated sick leave | (30,819) |
| Net pension liability | (535,649) |
| Deferred inflows of resources | <u>(38,619)</u> |
| Net position - Government-wide | <u><u>\$ 711,895</u></u> |

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

| | |
|--|-------------------------|
| Change in fund balance - general fund | \$ 22,417 |
| Capital assets acquired | 25,432 |
| Depreciation expense | (2,002) |
| Pension related | (13,549) |
| Accumulated sick leave | <u>(1,162)</u> |
| Change in net position - Government-wide | <u><u>\$ 31,136</u></u> |

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**Required Supplementary Information
Schedule of KIOS's Proportionate Share of the Net Pension Liability
For the Year Ended August 31, 2016**Omaha School Employees' Retirement System
Last Two Fiscal Years*

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|----------------|
| KIOS's proportion of net pension liability | 0.0922% | 0.0930% |
| KIOS's proportionate share of the net pension liability | \$ 535,649 | 401,712 |
| State of Nebraska's proportionate share of the net pension liability associated with KIOS | <u>108,455</u> | <u>81,336</u> |
| Total | <u>\$ 644,104</u> | <u>483,048</u> |
| KIOS's covered-employee payroll | \$ 365,810 | 361,204 |
| KIOS's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 146.43% | 111.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.58% | 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**(A Public Telecommunications Entity Operated by Douglas County School District #0001)****Required Supplementary Information
Schedule of KIOS Contributions
For the Year Ended August 31, 2016**Omaha School Employees' Retirement System
Last 10 Fiscal Years*

| | <u>2016</u> | <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> |
|---|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | \$ 37,699 | 36,134 | 35,679 | 33,990 | 36,841 | 29,483 | 27,730 | 23,116 | 22,199 | 15,552 |
| Contributions in relation to the statutorily required contribution | <u>37,699</u> | <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> |
| 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 | \$ 381,654 | 365,810 | 361,204 | 361,865 | 392,218 | 351,700 | 330,789 | 313,522 | 301,085 | 244,413 |
| Contributions as a percentage of covered employee payroll | 9.878% | 9.878% | 9.878% | 9.393% | 9.393% | 8.383% | 8.383% | 7.373% | 7.373% | 6.363% |

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

See accompanying independent auditor's report

KIOS-FM Radio

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

Notes to Required Supplementary Information – Pension Liability For the Year Ended August 31, 2016

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 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 contributions 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)

Notes to Required Supplementary Information – Pension Liability For the Year Ended August 31, 2016

- 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, 2015 (based on the September 1, 2014 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, 2016, and the related notes to the financial statements, which collectively comprise KIOS's basic financial statements, and have issued our report thereon dated December 2, 2016.

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,
December 2, 2016.