

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

Financial Statements
August 31, 2014

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, 2014, 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, 2014, 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, 2014, 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 6 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 10, 2014 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 10, 2014.

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, 2014



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

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 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 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.

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 twelve-member Governing Board of the District is elected by the citizens of the community to four-year terms within twelve 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.

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Management's Discussion and Analysis For the Year Ended August 31, 2014

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 10%, district appropriations 23%, memberships and subscriptions 42%, donations from for-profit entities 6%, and donations from non-profit entities 11%. The remaining 8% 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.
- **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.

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Management's Discussion and Analysis For the Year Ended August 31, 2014

OPERATIONAL ACTIVITIES

The operational gross revenue for KIOS increased by \$16,901 or 1.39%. 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 FY2014.

	2013	2014	Difference	% Change
District Appropriations	\$274,360	\$284,761	\$10,401	3.79%
Grants	\$120,068	\$121,404	\$1,336	1.11%
Revenue For-Profit	\$85,675	\$77,744	\$(7,931)	-9.26%
Revenue Not-For-Profit	\$190,210	\$132,599	\$(57,611)	-30.29%
Subscriptions	\$505,720	\$518,028	\$12,308	2.43%
Matching	\$19,153	\$28,501	\$9,348	48.81%
Interest	\$79	\$101	\$22	27.85%
District Indirect Support	\$20,020	\$69,048	\$49,028	244.90%
Total	\$1,215,285	\$1,232,186	\$16,901	1.39%

During FY2014, the District's indirect support increased by \$49,028. This is a direct result of an increase in the indirect cost percentage from 1.82% to 5.79%. The indirect cost rate is provided by the Nebraska Department of Education and is subject to change each year.

The decrease in Revenue Not-For-Profit is a function of advertising clients and organizations opting to purchase less advertising airtime from KIOS due to the overall state of the local economy.

Matching income increased by \$9,348 during FY2014. This was a direct result of a successful 2014 marketing effort with Omaha Gives.

The increase in overall revenue is also a result of the increase in the District Indirect Support.

The operating expenditures for FY2014 increased by \$140,344 or 12.50%. The following table illustrates the changes that occurred in 2013-2014.

	2013	2014	Difference	% Change
Broadcasting	\$51,180	\$60,799	\$9,619	18.79%
Programming	\$691,452	\$747,622	\$56,170	8.12%
Management	\$106,558	\$115,590	\$9,032	8.47%
Indirect	\$20,020	\$69,048	\$49,028	244.90%
Fundraising	\$147,728	\$176,967	\$29,239	19.79%
Underwriting	\$101,851	\$88,427	\$(13,424)	-13.18%
Capital Outlay	\$4,214	\$ --	\$(4,214)	-100.00%
Total	\$1,123,003	\$1,258,853	\$140,344	12.10%

Fundraising expenditures increased due to KIOS continued use of a member card program and conducting additional fund raising events in which costs were incurred. KIOS also had a part-time position funded for all of fiscal year 2014 compared to a partial year in 2013.

Underwriting expenditures are lower due to a decrease in commissions paid on Underwriting income.

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Management's Discussion and Analysis For the Year Ended August 31, 2014

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The following table illustrates the changes that occurred in statement of net position items from 2013-2014.

	Net Position			
	2013	2014	Difference	% Change
Current and Other Assets	\$1,089,894	\$1,162,313	\$72,419	6.64%
Capital Assets, net	\$8,568	\$4,745	\$(3,823)	-44.62%
Total Assets	\$1,098,462	\$1,167,058	\$68,596	6.24%
Total Liabilities	\$101,439	\$150,363	\$48,924	48.23%
Deferred Inflows of Resources	\$40,591	\$91,424	\$50,833	125.23%
Net Position	\$956,432	\$925,271	\$(31,161)	-3.26%

	Change in Net Position	
	2013	2014
Revenues	\$1,215,285	\$1,232,186
Program Expenses	\$1,123,623	\$1,263,347
Excess (Deficiency) in Net Position	\$91,662	\$(31,161)
Net Position at Beginning of Year	\$864,770	\$956,432
Net Position at End of Year	\$956,432	\$925,271

Liabilities increased \$99,757 due to increase in deferred inflows of resources related to unavailable revenue of approximately \$51,000 and an increase of approximately \$43,000 in accounts payable during FY2014. Underwriters paid upfront for a series of advertisements, the deferred revenue is the portion of the payment for radio time not yet consumed.

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 Dr. Dennis L. Pool. 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.

Respectfully submitted by:

Dr. Dennis L. Pool
Assistant Superintendent
General Finance and Administrative Services
Omaha Public Schools
dennis.pool@ops.org

Ibrahima A. Diop
Director, Finance, Accounting, and Budget
General Finance and Administrative Services
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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, 2014**

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 437,802	--	437,802
Investments	666,029	--	666,029
Promises to give	48,234	--	48,234
Prepaid expenses	10,248	--	10,248
Total current assets	<u>1,162,313</u>	<u>--</u>	<u>1,162,313</u>
Capital assets			
Equipment	--	421,745	421,745
Computers	--	37,379	37,379
	<u>--</u>	<u>459,124</u>	<u>459,124</u>
Less accumulated depreciation	--	(454,379)	(454,379)
Total capital assets, net	<u>--</u>	<u>4,745</u>	<u>4,745</u>
Total assets	<u>\$ 1,162,313</u>	<u>4,745</u>	<u>1,167,058</u>
LIABILITIES			
Accounts payable	\$ 47,209	--	47,209
Accrued payroll liabilities	73,194	29,960	103,154
Total liabilities	<u>120,403</u>	<u>29,960</u>	<u>150,363</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	91,424	--	91,424
FUND BALANCES/NET POSITION			
Fund balances			
Nonspendable	10,248	(10,248)	--
Unassigned	940,238	(940,238)	--
Total fund balances	<u>950,486</u>	<u>(950,486)</u>	<u>--</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,162,313</u>		
Net position			
Net investment in capital assets		4,745	4,745
Unrestricted		920,526	920,526
Total net position		<u>\$ 925,271</u>	<u>925,271</u>

See accompanying notes to the financial statements

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**Statement of Governmental Fund Revenue, Expenditures
and Changes in Fund Balance / Statement of Activities
For the Year Ended August 31, 2014**

	General Fund	Adjustments (Note 1)	Statement of Activities
REVENUES			
District appropriation	\$ 284,761	--	284,761
Community service grants from the Corporation for Public Broadcasting	121,404	--	121,404
Revenues from for-profit entities	77,744	--	77,744
Revenues from not-for-profit entities	132,599	--	132,599
Gross marathon income, subscriptions, and memberships	518,028	--	518,028
Matching receipts	28,501	--	28,501
Interest on investments	101	--	101
District indirect support	69,048	--	69,048
Total revenues	<u>1,232,186</u>	<u>--</u>	<u>1,232,186</u>
EXPENDITURES/EXPENSES			
Current			
Broadcasting	60,799	--	60,799
Programming and production	747,622	--	747,622
Management and general	115,990	671	116,661
Indirect expenses	69,048	--	69,048
Fundraising	176,967	--	176,967
Underwriting and grant solicitation	88,427	--	88,427
Capital outlay	--	3,823	3,823
Total expenditures/expenses	<u>1,258,853</u>	<u>4,494</u>	<u>1,263,347</u>
Excess of revenues over expenditures	(26,667)	26,667	--
Change in net position	--	(31,161)	(31,161)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	<u>977,153</u>	<u>--</u>	<u>956,432</u>
END OF YEAR	<u>\$ 950,486</u>	<u>--</u>	<u>925,271</u>

See accompanying notes to the financial statements

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Notes to Financial Statements For the Year Ended August 31, 2014

(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, 2014 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, liabilities, 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

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Notes to Financial Statements For the Year Ended August 31, 2014

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, and compensated absences, 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.

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.

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

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Notes to Financial Statements For the Year Ended August 31, 2014

H. *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, 2014 for compensated absences amounted to \$50,672, included in accrued payroll liabilities in the statement of net position.

I. *Net Position/Fund Balances*

Net position of KIOS are 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 use 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, 2014, 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, 2014, KIOS had nonspendable fund balance for prepaid expenses in the amount of \$10,248.

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Notes to Financial Statements

For the Year Ended August 31, 2014

- 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, 2014, 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, 2014, 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, 2014, 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.

J. *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.

K. *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 and liabilities 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.

L. *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. Friends of KIOS is no longer subject to income tax examinations for years ended prior to December 31, 2011.

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Notes to Financial Statements For the Year Ended August 31, 2014

M. Change in Accounting Principle

During 2014, KIOS adopted the provisions of GASB Statement No. 65. GASB Statement No. 65 required reclassification of certain items previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources on the statement of net position.

N. Subsequent Events

KIOS considered events occurring through November 10, 2014 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.
- 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, 2014 is as follows:

Deposits in financial institutions	\$	437,802
Certificates of deposit		27,565
Mutual funds		50,301
Nebraska Liquid Asset Fund		<u>588,163</u>
	\$	<u><u>1,103,831</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. As of August 31, 2014, the carrying amount of KIOS's cash and cash equivalents was \$437,802. 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, 2014 was \$666,029.

KIOS-FM Radio

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

Notes to Financial Statements For the Year Ended August 31, 2014

➤ 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, 2014, the Friends of KIOS had total deposits of \$47,250. 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 27.26% of the fund balance as of August 31, 2014. The market value of the fund held by Friends of KIOS and the concentration of cash on the fund are as follows:

	Market Value	Cash
	<u> </u>	<u> </u>
Weitz Fund	\$ 50,301	13,707
	<u> </u>	<u> </u>

➤ Individual Debt Investment

The Friends of KIOS investments at August 31, 2014 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, 2013	Additions	Retirements	Balance August 31, 2014
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equipment	\$ 421,745	--	--	421,745
Computers	38,945	--	(1,566)	37,379
Total capital assets, at cost	460,690	--	(1,566)	459,124
Less accumulated depreciation	452,122	3,823	(1,566)	454,379
Net capital assets	\$ 8,568	(3,823)	--	4,745
	<u> </u>	<u> </u>	<u> </u>	<u> </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, 2014

(4) Indirect Support

District indirect support for the year ended August 31, 2014 consists of the following:

Administration (calculated using a state-approved restricted indirect cost rate)	<u>\$69,048</u>
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(5) Concentrations of Revenue

At August 31, 2014, District appropriations represented 23.1% of revenue while grants from the Corporation for Public Broadcasting represented 9.9% 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. At August 31, 2014, the total obligation of the District for the termination benefit amounted to \$2,704,444, of which \$29,960 is related to KIOS.

(7) Retirement System

A. *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 Executive Director of OSERS.

B. *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 retirement expense for KIOS for the year ending August 31, 2014 amounted to \$35,679.

KIOS-FM Radio

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

Notes to Financial Statements For the Year Ended August 31, 2014

(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 \$10,000 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, 2014. 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	\$	950,486
Capital assets, net		4,745
Accumulated sick leave		<u>(29,960)</u>
Net position - Government-wide	\$	<u><u>925,271</u></u>

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

Change in fund balance - general fund	\$	(26,667)
Depreciation expense		(3,823)
Accumulated sick leave		<u>(671)</u>
Change in net position - Government-wide	\$	<u><u>(31,161)</u></u>

**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, 2014, and the related notes to the financial statements, which collectively comprise KIOS' basic financial statements, and have issued our report thereon dated November 10, 2014.

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 10, 2014.