

KIOS-FM Radio

Omaha, Nebraska

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

**Financial Statements and Supplementary Information
August 31, 2019**

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, 2019, 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, 2019, 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, 2019, or 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 opinions are 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 Employer 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 November 18, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KIOS's 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.

SEEM JOHNSON, LLP

Omaha, Nebraska,
November 18, 2019.

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, 2019

KIOS

Omaha Public Radio

91.5 FM

MANAGEMENT'S DISCUSSION AND ANALYSIS KIOS-FM Radio

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. KIOS-FM Radio (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:

- Financial Statements – The financial statements present information about KIOS that transpired during the fiscal year.
- Notes to 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 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 25 through 26 is required supplementary information, and provides additional information about KIOS's proportionate share of the District's net pension liability.

KIOS STATION MISSION

The mission of KIOS is to empower our community with quality local, national, and global content that challenges and connects people and furthers a deeper understanding of events, ideas, and cultures.

KIOS is Omaha Public Radio. Since our beginnings in 1969, we have provided to the audience programming that cannot be found on commercial radio and served as the educational extension of the Omaha Public Schools. KIOS broadcasts programming from National Public Radio, American Public Media, and Public Radio International along with locally produced shows. These programs represent the best in news, information, jazz, and entertainment.

KIOS is Omaha's only NPR® Station.

GOVERNANCE ORGANIZATION AND RESPONSIBILITIES

KIOS is governed by the Board of Education (Board) of Douglas County School District #0001 (District). The nine members of the Board represent nine sub-districts and are elected to four-year terms by the citizens of the District. The terms of the members of the Board overlap with elections occurring every two years. The 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 Station as part of the overall District.

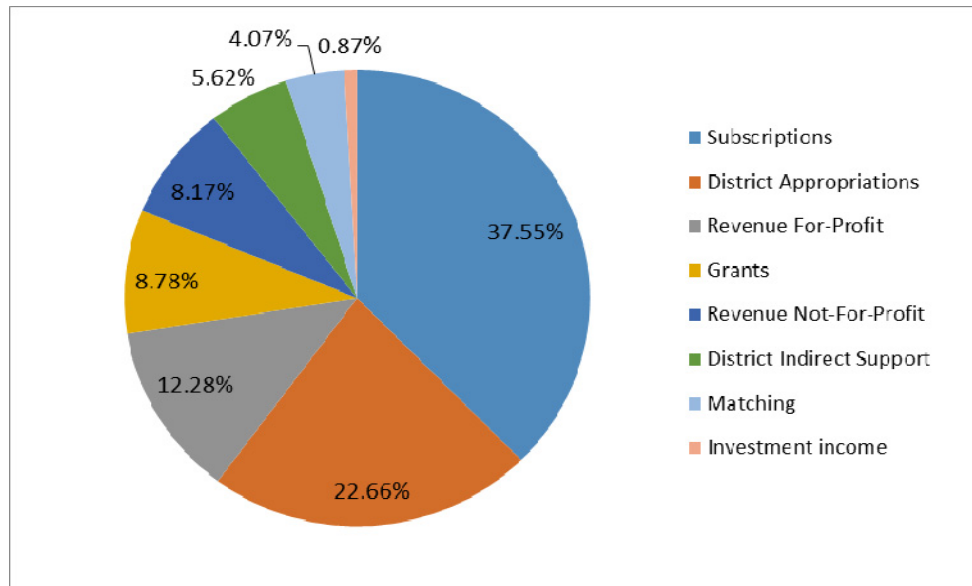
KIOS-FM Radio

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

Management's Discussion and Analysis For the Year Ended August 31, 2019

FINANCIAL STRUCTURE

The operating funds of KIOS 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 23%, memberships and subscriptions 38%, donations from for-profit entities 12%, and donations from not-for-profit entities 8%. The remaining 10% is composed of investment 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 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 radio station.
- **Public Support:** KIOS solicits ongoing support from the general public, not-for-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 not-for-profit entities on the Statement of Activities.
- **Income 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 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 serves. 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 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.

KIOS-FM Radio

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Management's Discussion and Analysis For the Year Ended August 31, 2019

- **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 decreased by \$214,631 or 13.29%. Some of the key components that contributed to the decrease were revenues from district appropriations, and the District Indirect Support. The following table illustrates the changes that occurred in FY 2019.

	2018	2019	Difference	% Change
District Appropriation	\$ 324,358	304,009	(20,349)	-6.27%
Grants	126,186	124,424	(1,762)	-1.40%
Revenue For-Profit	118,363	174,075	55,712	47.07%
Revenue Not-For-Profit	161,716	115,848	(45,868)	-28.36%
Subscriptions	542,486	532,205	(10,281)	-1.90%
Matching	43,789	57,740	13,951	31.86%
Interest	7,010	12,246	5,236	74.69%
District Indirect Support	290,878	79,608	(211,270)	-72.63%
Total	\$ 1,614,786	1,400,155	(214,631)	-13.29%

During fiscal year 2019, the District's Indirect Support decreased by \$211,270, or 72.63%. This is a result of a decrease in the indirect cost percentage from 18.23% to 5.17%.

The operating expenditures for FY 2019 decreased by \$304,030 or 16.41%. The following table illustrates the changes that occurred in 2018-2019.

	2018	2019	Difference	% Change
Broadcasting	\$ 115,268	143,757	28,489	24.72%
Programming	906,427	801,766	(104,661)	-11.55%
Management	160,037	156,445	(3,592)	-2.24%
Indirect Expenses	290,878	79,608	(211,270)	-72.63%
Fundraising	247,902	222,285	(25,617)	-10.33%
Underwriting	114,946	120,656	5,710	4.97%
Capital Outlay	17,133	24,043	6,910	40.33%
Total	\$ 1,852,591	1,548,560	(304,031)	-16.41%

Indirect expenditures decreased by \$211,270, or 72.63%. This is a result of a decrease in the indirect cost percentage from 18.23% to 5.17%. Programming expenditures decreased by \$104,661, or 11.55%. This is a result of the payout of accumulated leave to an employee that retired in 2018. Fundraising expenditures decreased by \$25,617, or 10.33%. This is a result of the purchase of significant software in 2018.

KIOS-FM Radio

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**Management's Discussion and Analysis
For the Year Ended August 31, 2019****GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The following table illustrates the changes that occurred in Statement of Net Position items from 2018-2019.

Statement of Net Position				
	2018	2019	Difference	% Change
Other Assets	\$ 1,081,126	1,157,546	76,420	7.07%
Capital Assets, net	31,289	42,677	11,388	36.40%
Total Assets	1,112,415	1,200,223	87,808	7.89%
Deferred Outflows of Resources	389,122	325,723	(63,399)	-16.29%
Total Assets and Deferred Outflows of Resources	\$ 1,501,537	1,525,946	24,409	1.63%
Total Liabilities	\$ 967,838	1,220,207	252,369	26.08%
Deferred Inflows of Resources	32,341	19,113	(13,228)	-40.90%
Net Position	501,358	286,626	(214,732)	-42.83%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,501,537	1,525,946	24,409	1.63%

Statement of Activities		
	2018	2019
Revenues	\$ 1,630,234	1,417,336
Program Expenses	1,889,032	1,632,068
Change in Net Position	(258,798)	(214,732)
Net Position, Beginning of Year	760,156	501,358
Net Position, End of Year	\$ 501,358	286,626

The most significant liability recorded in the financial statements is net pension liability of \$903,088, which represents KIOS's proportionate share of the District's net pension plan liability. Total liabilities increased primarily due to the increase in the accounts payable by \$219,768.

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.

KIOS-FM Radio

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Management's Discussion and Analysis For the Year Ended August 31, 2019

Respectfully submitted by:

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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 (531-299-9822).

KIOS-FM Radio

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**Governmental Fund Balance Sheet / Statement of Net Position
August 31, 2019**

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 641,323	--	641,323
Investments	407,525	--	407,525
Promises to give, net	105,741	--	105,741
Prepaid expenses	2,957	--	2,957
Capital assets, net	--	42,677	42,677
Total assets	1,157,546	42,677	1,200,223
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	--	325,723	325,723
Total assets and deferred outflows of resources	\$ 1,157,546	368,400	1,525,946
LIABILITIES			
Accounts payable	\$ 224,590	--	224,590
Accrued payroll liabilities	92,529	--	92,529
Net pension liability	--	903,088	903,088
Total liabilities	317,119	903,088	1,220,207
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	18,054	--	18,054
Pension related deferred inflows	--	1,059	1,059
Total deferred inflows of resources	18,054	1,059	19,113
FUND BALANCES/NET POSITION			
Fund balances			
Nonspendable	2,957	(2,957)	--
Unassigned	819,416	(819,416)	--
Total fund balances	822,373	(822,373)	--
Total liabilities, deferred inflows of resources and fund balances	\$ 1,157,546		
Net position			
Net investment in capital assets		42,677	42,677
Unrestricted		243,949	243,949
Total net position		286,626	286,626
Total liabilities, deferred inflows of resources and net position		\$ 368,400	1,525,946

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 Revenues, Expenditures
and Changes in Fund Balance / Statement of Activities
For the Year Ended August 31, 2019**

	General Fund	Adjustments (Note 1)	Statement of Activities
REVENUES			
District appropriation	\$ 304,009	17,181	321,190
Community service grants from the Corporation for Public Broadcasting	124,424	--	124,424
Revenues from for-profit entities	174,075	--	174,075
Revenues from not-for-profit entities	115,848	--	115,848
Gross marathon income, subscriptions, and memberships	532,205	--	532,205
Matching receipts	57,740	--	57,740
Interest on investments	12,246	--	12,246
District indirect support	79,608	--	79,608
Total revenues	<u>1,400,155</u>	<u>17,181</u>	<u>1,417,336</u>
EXPENDITURES/EXPENSES			
Current			
Broadcasting	143,757	--	143,757
Programming and production	801,766	--	801,766
Management and general	156,445	94,896	251,341
Indirect expenses	79,608	--	79,608
Fundraising	222,285	--	222,285
Underwriting and grant solicitation	120,656	--	120,656
Capital outlay	24,043	(11,388)	12,655
Total expenditures/expenses	<u>1,548,560</u>	<u>83,508</u>	<u>1,632,068</u>
EXCESS OF REVENUES OVER EXPENDITURES	(148,405)	148,405	--
CHANGES IN NET POSITION		(214,732)	(214,732)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	<u>970,778</u>	<u>--</u>	<u>501,358</u>
END OF YEAR	<u>\$ 822,373</u>	<u>--</u>	<u>286,626</u>

See accompanying notes to the financial statements

KIOS-FM Radio

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

Notes to Financial Statements

August 31, 2019

(1) Summary of Significant Accounting Policies

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

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 the District 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, 2019 or the changes in its financial position for the year then ended in conformity with GAAP.

For financial reporting purposes, KIOS includes Friends of KIOS (blended component unit), a Nebraska not-for-profit 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 recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

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

KIOS-FM Radio

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Notes to Financial Statements

August 31, 2019

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 recognized 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. There were no accrued termination benefits at August 31, 2019.
- (3) Net pension liability is not due and payable in the current period, and therefore is not reported in the fund-basis statements. On the government-wide basis, this liability is included in the Statement of Net Position, and the change in liability from the prior fiscal year is reflected as an addition to or reduction of the current period's expense.
- (4) Pension related deferred inflows and outflows represent the future acquisition of, and consumption of, net position, respectively, and are not reported in the fund-basis statements. On the government-wide basis, these items are included in the Statement of Net Position, and changes in these amounts from the prior fiscal year are included as additions to or reductions of revenues and expenses, respectively.

D. Cash and Cash Equivalents

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

E. Investments

Investments are reported at fair value, 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

August 31, 2019

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. At August 31, 2019, the allowance for uncollectible promises to give amounted to \$26,468.

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 five 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

August 31, 2019

Total obligations as of August 31, 2019 for compensated absences amounted to \$30,299 and are included in accrued payroll liabilities in the Statement of Net Position.

K. *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.

L. *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. In the statement of net position, deferred inflows of resources consist of nonrecognized items not yet charged to pension expense.

M. *Net Position/Fund Balances*

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

- *Net investment in capital assets* consists 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, 2019, 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, 2019, KIOS had nonspendable fund balance for prepaid expenses in the amount of \$2,957.
- *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, 2019, KIOS had no restricted fund balance.

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- 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, 2019, 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, 2019, 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.

N. 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.

O. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

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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Q. Subsequent Events

KIOS considered events occurring through November 18, 2019 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, 2019 is as follows:

Deposits in financial institutions	\$	641,323
Certificates of deposit		27,703
Equity securities - Weitz Value fund		69,738
Nebraska Liquid Asset Fund		<u>310,084</u>
	\$	<u><u>1,048,848</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.

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.

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Custodial 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 2.73% of the investment balance as of August 31, 2019.

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, Net

Capital asset activity for the year ended August 31, 2019 is as follows:

	Balance August 31, 2018	Additions	Retirements	Balance August 31, 2019
Equipment	\$ 462,958	38,888	16,703	485,143
Computers	31,622	1,857	900	32,579
Total capital assets, at cost	494,580	40,745	17,603	517,722
Less accumulated depreciation	463,291	12,655	901	475,045
Capital assets, net	\$ 31,289	28,090	16,702	42,677

(4) Indirect Support

District indirect support for the year ended August 31, 2019 consists of the following:

Administration (calculated using a state-approved restricted indirect cost rate) \$79,608

(5) Concentrations of Revenue

At August 31, 2019, District appropriations represented 22% of revenue while grants from the Corporation for Public Broadcasting represented 9% of revenue.

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(6) Termination Benefits

Accumulated Sick Leave

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

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. There was no accumulated sick leave benefit recognized in KIOS's financial statements at August 31, 2019.

(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 revised statutes, OSERS is governed by a Board of Trustees, which is comprised of three members who are active employees of the District, one annuitant member, two business people approved by the District Board of Education, and the Superintendent of the District, or his/her designee. 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.

Contributions

Employees of KIOS are required to contribute 9.78% of their annual salary to OSERS. Neb. Rev. Stat. §79-9,113 (1)(d) (Supp. 2018) provides that contributions by the District in any fiscal year shall be the greater of 101% of employee contributions, or 9.8778% of member salaries, or such amounts that may be necessary to maintain the solvency of OSERS. For the year ended August 31, 2019, an additional contribution of \$21,300,000 was made by the District, as recommended by the actuary, to maintain the solvency of OSERS. The State of Nebraska also contributes 2% of employees' compensation.

Total contributions for KIOS, including its proportionate share of additional amounts to maintain solvency, for the year ending August 31, 2019 amounted to \$64,782.

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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. No state service annuity or medical COLA is provided for members hired on or after July 1, 2016.

Retirement eligibility rules for OSERS members are based on the member's date of hire in accordance with Neb. Rev. Stat. §79-978 (Supp. 2018) through 79-9,118 (Supp. 2016) known and cited as the Class V School Employees Retirement Act.

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

At August 31, 2019, KIOS reported a liability of \$903,088 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2018. 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, 2018, KIOS's proportion was 0.1011%, an increase of 0.0005% from its proportion measured at August 31, 2017.

By statute, the State of Nebraska contributes 2% of members' compensation to fund the benefits provided by OSERS. A 30 year projection of contributions discounted back to the measurement date using the current year measurement period discount rate was utilized to determine the ratio of the present value of future contributions. This was used as the basis for determining the employer proportionate share of the collective pension amount as it represents the long term contribution effort to OSERS. Therefore, the State's proportionate share of collective net pension liability of KIOS at August 31, 2018 is 11.1408%. KIOS recognized revenue in the amount of \$17,181 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2019.

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Notes to Financial Statements**August 31, 2019**

For the year ended August 31, 2019, KIOS recognized pension expense of \$98,611. At August 31, 2019, KIOS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,073	1,059
Changes of assumptions	94,645	--
Net difference between projected and actual earnings on pension plan investments	80,666	--
Changes in proportion and differences between District contributions and proportionate share of contributions	47,557	--
District contributions subsequent to the measurement date	64,782	--
	<u>\$ 325,723</u>	<u>1,059</u>

Deferred outflows of resources related to pensions included \$64,782 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, 2019. 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:

2020	\$ 95,166
2021	64,118
2022	48,627
2023	47,638
2024	3,739
2025	594
	<u>594</u>
Total	<u>\$ 259,882</u>

Actuarial Methods and Assumptions

The total pension liability was measured as of August 31, 2018 and was determined by an actuarial valuation performed as of January 1, 2018, using standard actuarial formulae and using the following key actuarial assumptions:

Actuarial Assumptions:

Price Inflation	2.75%
Wage Inflation	3.25%
Long-term Rate of Return	7.50%
Municipal Bond Index Rate	3.96%
Single Equivalent Interest Rate.....	7.50%
Salary Increases	3.75% to 6.25%

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Cost of Living Adjustments	1.5% members hired before July 1, 2013 1.0% members hired after July 1, 2013 Medical COLA of \$10/month for each year retired (max \$250/month), if hired before July 1, 2016.
Mortality	Pre-retirement mortality rates were based on the RP-2014 Mortality Table, female rates set back 1 year and male rates set forward 1 year, projected on a generational basis using Scale MP-2016. Post-retirement mortality rates were based on the same rates as the pre-retirement tables. Post-disability mortality rates were based on the RP-2014 Disabled Retiree Mortality Table, without generational improvement.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study, dated April 5, 2017 which covered the five-year period ending August 31, 2016.

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, 2018 was 7.50%. There was no change in the discount rate since 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. In addition, if the statutory contribution rate is less than the actuarial determined contribution, the District will contribute the difference.
- c. State contribution rate: 2% of the members' compensation.
- d. Administrative expenses in the prior year were projected forward with price inflation as an estimate for administrative expenses in current and future years. The portion of expenses in future years allocated to the current members was based on the proportionate share of covered payroll in each year for the remainder of the existing members to the total covered payroll for all members.

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 of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

The fiduciary net position projections are based upon OSERS' financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 68. As such, the fiduciary net position projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of OSERS, or OSERS' ability to make benefit payments in future years.

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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 April 5, 2017. 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 3.96% on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2117.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap equity	26.1%	6.3%
Small cap equity	2.9%	6.8%
Global equity	15.0%	7.2%
International developed equity	10.8%	7.2%
Emerging markets	2.7%	7.5%
Core bonds	20.0%	2.9%
High yield investments	3.5%	5.4%
Bank loans	5.0%	4.4%
International bonds	1.5%	2.2%
Real estate	7.5%	5.7%
Private equity	5.0%	8.5%
Total	100%	

Sensitivity analysis: The following presents the net pension liability of KIOS, calculated using the discount rate of 7.50%, as well as KIOS net pension liability calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	1,186,008	903,088	668,310

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 at www.osers.org.

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Notes to Financial Statements**August 31, 2019**

Payable to the Pension Plan

At August 31, 2019, KIOS reported a payable to OSERS of \$3,778 for legally required employer contributions and \$3,741 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 coverages ranging from \$50,000 to \$1,000,000 per claim, and \$1,000,000 to \$5,753,565 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, 2019.

(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	\$	822,373
Capital assets, net		42,677
Pension related deferred outflows of resources		325,723
Net pension liability		(903,088)
Pension related deferred inflows of resources		<u>(1,059)</u>
Net position - government-wide	\$	<u><u>286,626</u></u>

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

Change in fund balance - general fund	\$	(148,405)
Capital assets acquired		40,745
Depreciation expense		(12,655)
Loss on disposal of capital assets		(16,702)
Pension related		(81,431)
Accumulated sick leave		<u>3,716</u>
Change in net position - government-wide	\$	<u><u>(214,732)</u></u>

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**Required Supplementary Information
Schedule of KIOS Proportionate Share of the Net Pension Liability
Last Five Fiscal Years**

Omaha School Employees' Retirement System Last Five Fiscal Years*					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
KIOS's proportion of net pension liability	0.1011%	0.1006%	0.0802%	0.0922%	0.0930%
KIOS's proportionate share of the net pension liability	\$ 903,088	872,203	543,626	535,649	401,712
State of Nebraska's proportionate share of the net pension liability associated with KIOS	<u>113,226</u>	<u>109,198</u>	<u>110,070</u>	<u>108,455</u>	<u>81,336</u>
Total	<u>\$ 1,016,314</u>	<u>981,401</u>	<u>653,696</u>	<u>644,104</u>	<u>483,048</u>
KIOS's covered payroll	\$ 417,735	378,738	381,654	365,810	361,204
KIOS's proportionate share of the net pension liability as a percentage of its covered payroll	216.19%	230.29%	142.44%	146.43%	111.21%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	58.72%	63.68%	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.

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**Required Supplementary Information
Schedule of Employer Contributions
Last 10 Fiscal Years**Omaha School Employees' Retirement System
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 64,782	62,931	46,263	37,699	36,134	35,679	33,990	36,841	29,483	27,730
Contributions in relation to the actuarially determined contribution	64,782	62,931	46,263	37,699	36,134	35,679	33,990	36,841	29,483	27,730
Contribution deficiency (excess)	\$ --	--	--	--	--	--	--	--	--	--
KIOS's covered payroll	\$ 398,419	417,735	378,738	381,654	365,810	361,204	361,865	392,218	351,700	330,789
Contributions as a percentage of covered payroll	16.260%	15.065%	12.215%	9.878%	9.878%	9.878%	9.393%	9.393%	8.383%	8.383%

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

See accompanying independent auditor's report

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Notes to Required Supplementary Information – Pension Liability August 31, 2019

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 (January 1 starting in 2017) listed below:

- 2019: The Unfunded Actuarial Accrued Liability (UAAL) legacy amortization base was reset to 30 years. New layers of UAAL that occur in the future will be amortized over new 30-year periods.
- 2018: The 2017 session of the Nebraska Legislature enacted Legislative Bill 415 (LB415), which changed the retirement provisions for members hired on or after July 1, 2018 to match the School Employees Retirement System of the State of Nebraska. Retirement eligibility for members hired on or after July 1, 2018 is set at age 60 with 85 points (age plus service) or age 60 with five years of service. Benefits are unreduced at age 60 with 85 points. Early retirement eligibility is age 60 with five years of service. No medical COLA is provided for members hired on or after July 1, 2018.
- The 2018 session of the Nebraska Legislature enacted Legislative Bill 1005 (LB 1005), which states that the School District must contribute an amount equal to or greater than the actuarially required contribution rate provided in the most recent valuation report.
- 2017: 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 services, 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 medical COLA is provided for members hired on or after July 1, 2016.
- 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 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 8.3% to 9.3%, effective September 1, 2011. Since the employer contributes 101% of the member contribution rate, the 1% increase in the member contribution rate resulted in an increase of 1.01% in the District's contribution rate.

Changes in actuarial assumptions:

1/1/2017 valuation:

- The investment return assumption was lowered from 8% to 7.5%.
- The inflation assumption was lowered from 3% to 2.75%.
- The assumed interest rate credited on employee contributions was lowered from 3% to 2.75%.
- The general wage increase assumption was lowered from 4% to 3.25%.
- The mortality assumption was changed to the RP-2014 Mortality Table, with a one-year age set forward for males and a one-year age setback from females. Generational mortality improvements are modeled using the MP-2016 scale.
- Retirement rates were modified for both certificated and classified employees.
- The probability of electing a refund at termination was modified for classified employees.

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Notes to Required Supplementary Information – Pension Liability August 31, 2019

- Termination rates for certificated employees were changed to be the same regardless of gender, and are purely service-based for both certificated and classified employees.
- The salary increase assumption was changed to a service-based assumption for both certificated and classified employees.
- The amortization of the UAAL was changed to a “layered” approach with new pieces of UAAL amortized over a 25-year period beginning on the valuation date. The legacy UAAL continues to be amortized on its current schedule.
- The valuation date changed from September 1 to January 1.

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 3.5% to 3%.
- The real rate of return increased from 4.5% to 5%.
- The productivity portion of the general wage increase assumption increased from 0.5% to 1%.

Method and assumptions used in calculations of Actuarially Determined Contributions:

OSERS is funded by statutory contribution rates for members, the School District and the state of Nebraska. If the statutory contribution rate is less than the Actuarially Determined Contributions, the School District will contribute the difference. 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, 2018 (based on the January 1, 2018 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered bases with remaining periods ranging from 24 to 26 years
Asset valuation method	Market related smoothed value
Price inflation	2.75%
Salary increases, including wage inflation	3.75% to 6.25%
Long-term rate of return, net of investment expense, and including inflation	7.50%
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), if hired before July 1, 2016

**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, 2019, and the related notes to the financial statements, which collectively comprise KIOS's basic financial statements, and have issued our report thereon dated November 18, 2019.

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

SEIM JOHNSON, LLP

Omaha, Nebraska,
November 18, 2019.