

KIOS-FM Radio

Omaha, Nebraska

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

**Financial Statements and Supplementary Information
August 31, 2022**

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 Audit of the Financial Statements

Opinion

We have audited 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 Douglas County School District #0001 (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise KIOS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position, the governmental activities and major fund of KIOS as of August 31, 2022, and the changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KIOS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only KIOS, and do not purport to, and do not, present fairly the financial position of the District as of August 31, 2022, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KIOS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 KIOS' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about KIOS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 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 February 3, 2023 on our consideration of KIOS' 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' 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' internal control over financial reporting and compliance.



Omaha, Nebraska,
February 3, 2023.

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, 2022



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 23 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.

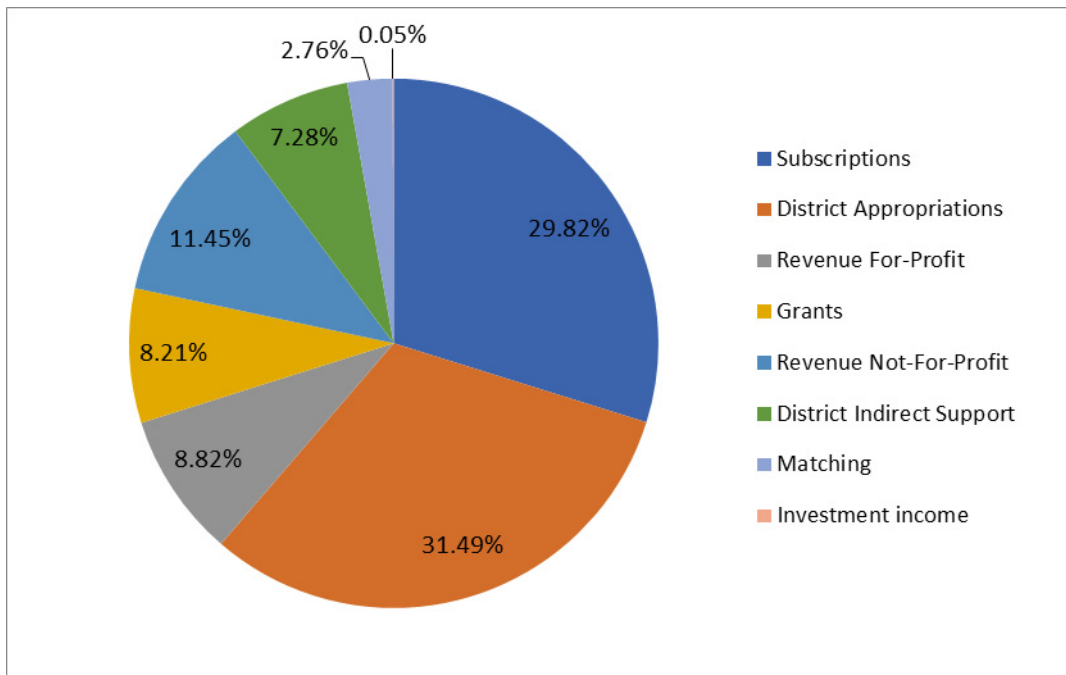
KIOS-FM Radio

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

Management's Discussion and Analysis For the Year Ended August 31, 2022

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 8%, District appropriations 31%, memberships and subscriptions 30%, donations from for-profit entities 9%, and donations from not-for-profit entities 11%. The remaining 11% is comprised 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 for students 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, revenue from 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 limited.

KIOS-FM Radio

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Management's Discussion and Analysis For the Year Ended August 31, 2022

- **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 shortage with bills that need to be paid. By having sufficient cash on hand, KIOS is more likely to be able to make payroll and pay bills when they are due, even in times of minimal cash receipts. Many political subdivisions consider at least two months of expenditures to be an adequate cash reserve.

OPERATIONAL ACTIVITIES

The operational gross revenue for KIOS increased by \$64,443, or 3.73%. The key components that contributed to the increase were additional revenues from District Appropriations and Revenue Not-For-Profit. The decrease in Grants revenues were due to supplemental COVID-related funding received in 2021. The following table illustrates the changes that occurred in fiscal year 2021-2022.

		<u>2021</u>	<u>2022</u>	<u>Difference</u>	<u>% Change</u>
District Appropriation	\$	316,356	554,489	238,133	75.27%
Grants		260,190	148,061	(112,129)	-43.10%
Revenue For-Profit		171,873	159,169	(12,704)	-7.39%
Revenue Not-For-Profit		135,320	206,484	71,164	52.59%
Subscriptions		694,970	537,926	(157,044)	-22.60%
Matching		54,701	49,841	(4,860)	-8.88%
Interest		55	1,083	1,028	1869.09%
District Indirect Support		92,319	133,174	40,855	44.25%
Total	\$	<u>1,725,784</u>	<u>1,790,227</u>	<u>64,443</u>	<u>3.73%</u>

During fiscal year 2022, the District's Indirect Support increased by \$40,855, or 45.25%. This is a result of an increase in the indirect cost percentage from 5.72% to 6.64%.

The operating expenditures for fiscal year 2022 increased by \$524,616, or 34.01%. The following table illustrates the changes that occurred in 2021-2022.

		<u>2021</u>	<u>2022</u>	<u>Difference</u>	<u>% Change</u>
Broadcasting	\$	120,219	583,807	463,588	385.62%
Programming		851,382	859,867	8,485	1.00%
Management		176,406	19,898	(156,508)	-88.72%
Indirect Expenses		92,319	133,174	40,855	44.25%
Fundraising		196,609	343,737	147,128	74.83%
Underwriting		101,713	124,965	23,252	22.86%
Capital Outlay		3,805	1,621	(2,184)	-57.40%
Total	\$	<u>1,542,453</u>	<u>2,067,069</u>	<u>524,616</u>	<u>34.01%</u>

Indirect expenditures increased by \$40,855, or 44.25%. This is a result of an increase in the indirect cost percentage from 5.72% to 6.64%. Broadcasting expenditures increased by \$463,588, or 385.62%. This was a result of replacing the broadcasting transmitter that had been in use for over 50 years. Underwriting expenditures increased by \$23,252, or 22.86% and Fundraising expenditures increased by \$147,128, or 74.83%. This was a result of the overall increase in Underwriting activities for Revenue For-Profit and Revenue Not-For-Profit, and an overall increase in Fundraising activities related to Subscriptions and Matching revenues.

KIOS-FM Radio

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**Management's Discussion and Analysis
For the Year Ended August 31, 2022****GOVERNMENT – WIDE FINANCIAL STATEMENTS**

The following table illustrates the changes that occurred in Statement of Net Position items from 2021-2022.

Statement of Net Position				
	2021	2022	Difference	% Change
Other Assets	\$ 1,208,006	1,374,332	166,326	13.77%
Capital Assets, net	32,802	20,325	(12,477)	-38.04%
Total Assets	1,240,808	1,394,657	153,849	12.40%
Deferred Outflows of Resources	359,705	254,240	(105,465)	-29.32%
Total Assets and Deferred Outflows of Resources	\$ 1,600,513	1,648,897	48,384	3.02%
Total Liabilities	\$ 1,312,563	1,569,619	257,056	19.58%
Deferred Inflows of Resources	42,824	183,242	140,418	327.90%
Net Position	245,126	(103,964)	(349,090)	-142.41%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,600,513	1,648,897	48,384	3.02%

Statement of Activities		
	2021	2022
Revenues	\$ 1,746,623	1,803,811
Program Expenses	1,725,662	2,152,901
Change in Net Position	20,961	(349,090)
Net Position, Beginning of Year	224,165	245,126
Net Position, End of Year	\$ 245,126	(103,964)

The most significant liability recognized in the financial statements is the net pension liability of \$944,545, which represents KIOS's proportionate share of the District's net pension liability. The net pension liability decreased \$218,029, or 19%, in 2022.

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, 2022

Respectfully submitted by:

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Department of General Finance
Omaha Public School District
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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

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

**Governmental Fund Balance Sheet / Statement of Net Position
August 31, 2022**

	General Fund	Adjustments (Note 1)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 835,334	--	835,334
Investments	390,004	--	390,004
Promises to give, net	127,433	--	127,433
Prepaid expenses	21,561	--	21,561
Capital assets, net	--	20,325	20,325
Total assets	1,374,332	20,325	1,394,657
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	--	254,240	254,240
Total assets and deferred outflows of resources	\$ 1,374,332	274,565	1,648,897
LIABILITIES			
Accounts payable	\$ 447,262	--	447,262
Accrued payroll liabilities	104,075	45,444	149,519
Unearned revenue	28,293	--	28,293
Net pension liability	--	944,545	944,545
Total liabilities	579,630	989,989	1,569,619
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	--	183,242	183,242
FUND BALANCES/NET POSITION			
Fund Balances			
Nonspendable	21,561	(21,561)	--
Unassigned	773,141	(773,141)	--
Total fund balances	794,702	(794,702)	--
Total liabilities, deferred inflows of resources and fund balances	\$ 1,374,332		
Net position			
Net investment in capital assets		20,325	20,325
Unrestricted		(124,289)	(124,289)
Total net position		(103,964)	(103,964)
Total liabilities, deferred inflows of resources and net position		\$ 274,565	1,648,897

See notes to basic 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, 2022**

	General Fund	Adjustments (Note 1)	Statement of Activities
REVENUES			
District appropriation	\$ 554,489	13,584	568,073
Community service grants from the Corporation for Public Broadcasting	148,061	--	148,061
Revenues from for-profit entities	159,169	--	159,169
Revenues from not-for-profit entities	206,484	--	206,484
Gross marathon income, subscriptions, and memberships	537,926	--	537,926
Matching receipts	49,841	--	49,841
Interest on investments	1,083	--	1,083
District indirect support	133,174	--	133,174
Total revenues	<u>1,790,227</u>	<u>13,584</u>	<u>1,803,811</u>
EXPENDITURES/EXPENSES			
Current			
Broadcasting	583,807	--	583,807
Programming and production	859,867	--	859,867
Management and general	19,898	73,355	93,253
Indirect expenses	133,174	--	133,174
Fundraising	343,737	--	343,737
Underwriting and grant solicitation	124,965	--	124,965
Capital outlay	1,621	12,477	14,098
Total expenditures/expenses	<u>2,067,069</u>	<u>85,832</u>	<u>2,152,901</u>
EXCESS OF REVENUE OVER EXPENDITURES	(276,842)	276,842	--
CHANGES IN NET POSITION	--	(349,090)	(349,090)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	<u>1,071,544</u>	<u>--</u>	<u>245,126</u>
END OF YEAR	<u>\$ 794,702</u>	<u>--</u>	<u>(103,964)</u>

See notes to basic financial statements

KIOS-FM Radio

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

Notes to the Basic Financial Statements August 31, 2022

(1) Summary of Significant Accounting Policies

These financial statements present KIOS-FM Radio (KIOS), an aggregated fund of Douglas County School District #0001 (the District). 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 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, 2022 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, revenues, 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. Revenues are 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

KIOS-FM Radio

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Notes to the Basic Financial Statements August 31, 2022

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, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be 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 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) 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.
- (3) Pension related deferred inflows and outflows of resources 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.

KIOS-FM Radio

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

Notes to the Basic Financial Statements August 31, 2022

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, 2022, all promises to give are deemed collectible, therefore no allowance for uncollectible promises to give is recognized.

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, Net

Capital assets purchased or acquired by KIOS, with a value over \$5,000, are reported at cost. Contributed assets are reported 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 bi-weekly 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.

KIOS-FM Radio

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Notes to the Basic Financial Statements August 31, 2022

Total obligations as of August 31, 2022 for compensated absences amounted to \$88,755 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*

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time.

Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension investments, and unrecognized 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, 2022, KIOS has no restricted net position.
- *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, 2022, KIOS had nonspendable fund balance for prepaid expenses in the amount of \$21,561.
- *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, 2022, 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, 2022, 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 regard to committed fund balances. The District management staff will have the overall responsibilities for monitoring these balances. At August 31, 2022, 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 revenues 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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(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, 2022 is as follows:

Deposits in financial institutions	\$	835,334
Certificates of deposit		27,772
Equity securities - Weitz Value fund		48,148
Nebraska Liquid Asset Fund		<u>314,084</u>
	\$	<u><u>1,225,338</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 local banks. 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 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.

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.

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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 2.3% of the investment balance as of August 31, 2022.

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 Governmental Accounting Standards Board (GASB) Statement No. 72.

(3) Capital Assets, Net

Capital asset activity for the year ended August 31, 2022 is as follows:

	Balance August 31, 2021	Additions	Balance August 31, 2022
Equipment	\$ 505,907	--	505,907
Computers	38,109	1,621	39,730
Total capital assets, at cost	544,016	1,621	545,637
Less accumulated depreciation	511,214	14,098	525,312
Capital assets, net	\$ 32,802	(12,477)	20,325

(4) Indirect Support

District indirect support for the year ended August 31, 2022, consists of the following:

Administration (calculated using a state-approved restricted indirect cost rate)	<u>\$133,174</u>
--	------------------

(5) Concentrations of Revenue

At August 31, 2022, District appropriations represented 31% of revenue while grants from the Corporation for Public Broadcasting represented 8% of revenue.

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(6) Termination Benefits

Accumulated Sick Leave

KIOS is under the umbrella of the District 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 \$45,444 of accumulated sick leave benefit recognized in KIOS's financial statements at August 31, 2022.

(7) Retirement System

Plan Description

The employees of KIOS are covered by 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, 2022, an additional contribution of \$29,482,561 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, 2022 amounted to \$91,988.

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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, 2022, KIOS reported a liability of \$944,545 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2021. 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, 2021, KIOS's proportion was 0.1181%, a decrease of 0.0061% from its proportion measured at August 31, 2020.

OSERS has a special funding situation, in which, by statute, the State of Nebraska contributes 2% of members' compensation to fund the benefits provided by OSERS. KIOS recognized revenue in the amount of \$13,584 from the state of Nebraska for its proportionate share of collective pension expense for the year ended August 31, 2022.

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For the year ended August 31, 2022, KIOS recognized pension expense of \$62,751. At August 31, 2022, KIOS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,069	10,823
Changes of assumptions	25,932	--
Net difference between projected and actual earnings on pension plan investments	--	164,386
Changes in proportion and differences between District contributions and proportionate share of contributions	77,251	8,033
District contributions subsequent to the measurement date	<u>91,988</u>	<u>--</u>
	\$ <u><u>254,240</u></u>	<u><u>183,242</u></u>

Deferred outflows of resources related to pensions included \$91,988 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, 2023. 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:

2022	\$ 42,619
2023	(6,849)
2024	(25,501)
2025	(31,397)
2026	<u>138</u>
Total	\$ <u><u>(20,990)</u></u>

Actuarial Methods and Assumptions

The total pension liability was measured as of August 31, 2021 and was determined by an actuarial valuation performed as of January 1, 2021, 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	2.12%
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, 2021 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, 2021 was 7.50%. There was no change in the discount rate since the prior measurement date.

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

- a. Employee contribution rate: 9.78% of compensation.
- b. District contribution rate: 101% of the employee contribution rate. 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 2.12% on the measurement date.

Periods of projected benefit payments: Projected future benefit payments for all current OSERS members were projected through 2120.

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	1,309,441	944,545	641,510

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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Payable to the Pension Plan

At August 31, 2022, KIOS reported a payable to OSERS of \$4,283 for legally required employer contributions and \$4,241 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 District 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 for various insurance coverages and has purchased excess liability coverage insurance policy covering individual claims in excess of \$1,000,000 and releasing the risk of loss for individual claims below \$1,000,000. 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 year ended August 31, 2022.

(10) 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	\$ 794,702
Capital assets, net	20,325
Pension related deferred outflows of resources	254,240
Accumulated sick leave	(45,444)
Net pension liability	(944,545)
Pension related deferred inflows of resources	<u>(183,242)</u>
Net position - government-wide	\$ <u><u>(103,964)</u></u>

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

Change in fund balance - general fund	\$ (276,842)
Capital assets acquired	1,621
Depreciation expense	(14,098)
Pension related	(49,168)
Accumulated sick leave	<u>(10,603)</u>
Change in net position - government-wide	\$ <u><u>(349,090)</u></u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
KIOS's proportion of net pension liability	0.1181%	0.1242%	0.1166%	0.1011%	0.1006%	0.0802%	0.0922%	9.3000%
KIOS's proportionate share of the net pension liability	\$ 944,545	1,162,574	1,102,597	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>120,394</u>	<u>143,378</u>	<u>126,210</u>	<u>113,226</u>	<u>109,198</u>	<u>110,070</u>	<u>108,455</u>	<u>81,336</u>
Total	<u>\$ 1,064,939</u>	<u>1,305,952</u>	<u>1,228,807</u>	<u>1,016,314</u>	<u>981,401</u>	<u>653,696</u>	<u>644,104</u>	<u>483,048</u>
KIOS's covered employee payroll	\$ 521,395	460,218	398,419	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 employee payroll	181.16%	252.61%	276.74%	216.19%	230.29%	142.44%	146.43%	111.21%
Plan fiduciary net position as a percentage of the total pension liability	67.13%	59.55%	57.82%	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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 91,988	85,669	72,206	64,782	62,931	46,263	37,699	36,134	35,679	33,990
Contributions in relation to the actuarially determined contribution	91,988	85,669	72,206	64,782	62,931	46,263	37,699	36,134	35,679	33,990
Contribution deficiency (excess)	\$ --	--	--	--	--	--	--	--	--	--
KIOS's covered employee payroll	\$ 535,543	521,395	460,218	398,419	417,735	378,738	381,654	365,810	361,204	361,865
Contributions as a percentage of covered employee payroll	17.177%	16.431%	15.690%	16.260%	15.065%	12.215%	9.878%	9.878%	9.878%	9.393%

* 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, 2022

Notes to the Schedules:

Changes of benefit and funding 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:

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 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.

Changes in actuarial assumptions:

1/1/2019 valuation:

- The amortization of the Unfunded Actuarial Accrued Liability (UAAL) was changed to reset the legacy UAAL over a 30 year period beginning January 9, 2019. New layers of UAAL that occur in the future are also amortized over a new 30-year periods beginning on the valuation date.

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.

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Notes to Required Supplementary Information – Pension Liability August 31, 2022

- Retirement rates were modified for both certificated and classified employees.
- The probability of electing a refund at termination was modified for classified employees.
- 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%.

Method and assumptions used in calculations of Actuarially Determined Contributions:

OSERS is funded by statutory contribution rates for members, the 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, 2021 (based on the January 1, 2021 actuarial valuation).

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Layered basis with the Legacy base amortized over a closed 30-year period beginning January 1, 2019. All subsequent bases are amortized over a closed 30-year period beginning on the valuation date.
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, 2022, and the related notes to the financial statements, which collectively comprise KIOS's basic financial statements, and have issued our report thereon dated February 3, 2023.

Report on 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) as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Item No. 2022-001, that we consider to be a material weakness.

Report on 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 financial statements. 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*.

KIOS' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on KIOS' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. KIOS' response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Omaha, Nebraska,
February 3, 2023.

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Schedule of Findings and Responses For the Year Ended August 31, 2022

I. FINANCIAL STATEMENT FINDINGS

2022-001

MATERIAL WEAKNESS

Criteria:	The design and operation of KIOS' internal controls should allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in KIOS' financial statements on a timely basis.
Condition:	The preparation of financial statements requires tremendous detail. The financial statements prepared by management for the audit required several adjusting entries, including some additional entries identified by management, in order to fairly state KIOS' financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).
Context:	KIOS prepares its interim financial statements throughout the fiscal year on the cash basis of accounting and performs a conversion of the statements to the modified accrual and full accrual basis, as applicable, for financial reporting purposes at the end of its fiscal year. This is a significant undertaking, and a very complex process. After management provided its initial financial statements, several audit adjustments and a number of additional entries provided by management were required to fairly state KIOS' financial statements in accordance with GAAP.
Cause:	Due to turnover in the accounting department of the District, including the Chief Financial Officer, as well as time constraints related to the period between the end of KIOS' fiscal year and the audit reporting deadline imposed by the Nebraska Department of Education, management was unable to complete a thorough review of its GAAP basis financial statements for accuracy and completeness prior to the audit commencing.
Effect:	Several audit adjustments and reclassifications were required to correct misstatements in the financial statements to accurately present the basic financial statements and notes to the financial statements in accordance with GAAP.
Recommendation:	We recommend management review its closing schedule and financial statement preparation and reporting processes in an effort to identify efficiencies that may allow management to prevent, and detect and correct, misstatements in order to produce complete and accurate financial statements.

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Schedule of Findings and Responses For the Year Ended August 31, 2022

Views of Responsible
Officials and Planned
Corrective Action:

Management is aware of this deficiency in internal control over financial reporting. Management will review and revise where necessary the processes for preparing financial statements. This review will focus on areas that inhibit the timely and accurate preparation of KIOS' financial statements and will include:

- Increased use of analytics to review activity in key accounts on at least a quarterly basis. The District hired a new Controller in October 2022 as part of the implementation of its new strategic plan and this individual will greatly improve existing processes.
- Documented reviews of quarterly reconciliations of key accounts by the Accounting Manager and new Controller as part of the process of improving internal controls over financial reporting.

Management expects this finding to be resolved by August 31, 2023.