KUER-FM RADIO
(A Public Telecommunications Department of the University of Utah)

Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)

KUER-FM RADIO
(A Public Telecommunications Department of the University of Utah)

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INDEPENDENT AUDITORS' REPORT

KUER-FM Radio
The University of Utah Board of Trustees
and David W. Pershing, Ph.D., President
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of KUER-FM Radio (a public telecommunications department of University of Utah), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those 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 auditors' 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 auditors consider 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KUER-FM Radio as of June 30, 2016, and the respective changes in financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Station's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The financial statements of KUER-FM Radio are intended to present the financial position, the changes in financial position and cash flows of only KUER-FM Radio. They do not purport to, and do not, present the financial position of the University of Utah as of June 30, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and schedules of the proportionate share of the net pension liability and employer contributions on pages 31 and 32 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 January 6, 2017, on our consideration of KUER-FM Radio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 KUER-FM Radio's internal control over financial reporting and compliance.

WSRP, LLC

Salt Lake City, Utah
January 6, 2017

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of KUER-FM Radio (the Station) as of and for the year ended June 30, 2016, with selected comparative information as of and for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

The Station is a public radio station licensed to the University of Utah. Founded in 1960, the Station was one of the original 100 National Public Radio (NPR) affiliates. The Station broadcasts national news and information programs provided by NPR, Public Radio International and American Public Media, local news and information programs. Through an extensive translator network, the Station reaches the vast majority of the State of Utah's population. Though the Station is one of five noncommercial radio signals available to Utah residents, the Station's audience continues to reach between 150,000 - 175,000 weekly listeners.

FINANCIAL HIGHLIGHTS

The Station's financial position at June 30, 2016 includes total assets of $2,713,418, deferred outflows of resources of $85,943 total liabilities of $412,047, and deferred inflows of resources of $20,033. Net position, which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources decreased by $24,284 to $2,367,281 at June 30, 2016.

Changes in net position represent the total activity of the Station, which results from all revenues, expenses, gains, and losses and are summarized for the years ended June 30, 2016 and 2015 as follows:

	2016	**2015**
Total revenues	$4,328,939	$4,122,400
Total expenses	4,353,223	4,112,051
Increase (decrease) in net position	(24,284)	10,349
Prior period adjustment		(140,776)
Decrease in net position, as restated	$ (24,284)	$ (130,427)

Fiscal year 2016, revenues increased by 5.01% or $206,539, while expenses increased by 5.87% or $241,172. The prior period adjustment of $140,776 to adjust the beginning net position is the result of the GASB 68 implementation in fiscal year 2015. Because the table above summarizes the changes in net position for two years, the prior period adjustment is shown as one of the changes. However, it has been included in the beginning net position amount for fiscal year 2015 in the Statement of Revenues, Expenses, and Changes in Net Position on page 11.

USING THE FINANCIAL STATEMENTS

The Station's financial report is prepared on the accrual basis of accounting and conforms to principles of *Accounting and Financial Reporting for Public Telecommunication Entities* published by the Corporation for Public Broadcasting (CPB), which conforms to U.S. generally accepted accounting principles and includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Station at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Station. The difference between (a) total assets and deferred outflows of resources and (b) total liabilities and deferred inflows of resources is net position and is one indicator of the current financial condition of the Station, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the Station's assets, deferred outflows and inflow of resources, liabilities, and net position at June 30, 2016 and 2015 follows:

	2016	**2015**
Current assets		
Current assets, unrestricted	$ 1,911,456	$ 1,851,643
Current assets, restricted	116,511	44,623
Noncurrent assets		
Net pension asset		304
Capital assets, net	685,451	859,024
Total assets	2,713,418	2,755,594
Deferred outflows related to pensions	85,943	22,833
Current liabilities	(217,644)	(233,798)
Noncurrent liabilities	(194,403)	(139,639)
Total liabilities	(412,047)	(373,437)
Deferred inflows related to pensions	(20,033)	(13,425)
Net investment in capital assets	685,451	859,024
Restricted – expendable	116,511	44,623
Unrestricted	1,565,319	1,487,918
Total net position	$ 2,367,281	$ 2,391,565

A review of the Station's Statements of Net Position as of June 30, 2016 and 2015 shows that the Station still maintains its favorable financial foundation. This financial position results from the efficient management and wise use of its financial resources.

Current assets consist of cash, receivables, investments, prepaid expense and net pension asset. Total current assets increased by $131,397. The increase was due primarily to an increase of $71,888 in restricted cash with the University of Utah resulting from the Station's capital campaign to raise money to be used to purchase a new transmitter and land for the transmitter to extend the Station's signal into the St. George, Utah area. Other increases in current assets were due to $52,432 in investments, $7,775 in unrestricted receivables and $1,907 in unrestricted cash with the University of Utah. These increases were offset by a decrease of $2,301 in prepaid expenses.

STATEMENT OF NET POSITION (CONTINUED)

Noncurrent assets consist of capital assets net of accumulated depreciation. Noncurrent assets decreased by $173,573. The decrease was primarily due to annual depreciation totaling $184,915. This was offset by an increase in capital purchases of $11,342.

Deferred outflows of resources related to pensions increased by $63,110 during fiscal year 2016.

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities decreased by $16,154 during fiscal year 2016 due to a decrease in accounts payable of $28,363 and an increase in accrued personnel services of $12,209.

Noncurrent liabilities consists of net pension liability related to pensions. Net pension liability increased during fiscal year 2016 by $54,764.

NET POSITION

Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents the Station's capital assets net of accumulated depreciation. Restricted expendable net position is subject to externally imposed restrictions governing their use. Although unrestricted net position is not subject to externally imposed stipulations, most of the Station's unrestricted net position has been designated for various programming and broadcasting needs, as well as capital projects.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the Station's results of operations. A comparison of the Station's revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Operating revenues	$ 44,725	$ 3,897
Operating expenses	4,353,223	4,112,051
Operating loss	(4,308,498)	(4,108,154)
Nonoperating revenues	4,284,214	4,118,503
Increase (decrease) in net position	(24,284)	10,349
Net position - beginning of year	2,391,565	2,381,216
Net position - end of year	$ 2,367,281	$ 2,391,565

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

The Station's main revenue sources are the University of Utah, the CPB, individuals, foundation contributions, and corporate donations. The Station has in the past and will continue to aggressively seek funding from all possible sources consistent with its mission.

The Station's revenues increased by $206,539 in fiscal year 2016. The increase in revenues was partially due to an increase in contributions of $279,092 from individual donors continuing in the Station's sustainer donation program. Sales and service income increased by $40,828 primarily due to the sale of a transmitter. Indirect support from the University of Utah increased by $32,831. Direct support from the University of Utah increased by $12,702. These increases were offset with a decrease of $142,486 in underwriting revenue from family foundation support redirected to the Capital Campaign. Federal Grants revenue decreased by $6,431. Other income, due to fewer special events, decreased by $6,073. Investment income decreased by $4,414 primarily due to the decrease in market value of investments and interest income.

A comparative summary of the Station's operating expenses by functional classification for the years ended June 30, 2016 and 2015 follows:

	2016	2015
Program services		
Programming and production	$2,149,684	$2,005,093
Broadcasting	761,791	638,801
Program information	281,549	325,541
Total program services	3,193,024	2,969,435
Support services		
Management and general	316,773	295,073
Fundraising and membership development	843,426	847,543
Total support services	1,160,199	1,142,616
Total expenses	$4,353,223	$4,112,051

The Station's operating expenses increased by $241,172 in fiscal year 2016. Programming and production expenses increased by $144,591 primarily due to expenses related to program purchases. Broadcasting expenses increased by $122,990 primary due to expenses for studio equipment and a Logan transmitter link. Management and general expenses increased by $21,700 primarily due to an increase in personnel expenses. These increases were offset by a decrease in program information expenses of $43,992 primarily due to streamlining special events and a lower amount of trade in fiscal year 2016. Fundraising and membership development decreased by $4,117 primarily due to decreased personnel expenses and fund raising events.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about the Station's financial activity by reporting the major sources and uses of cash.

The Station's cash increased by $73,795 in fiscal year 2016 primarily due to an increase in cash from noncapital financing activities, a decrease in cash from operating activities, a decrease in cash from capital financing activities, and an increase in cash from investing activities. The Station's significant sources of cash provided by noncapital financing activities include funding from the University of Utah, grants from the CPB, and private gifts.

The Station will continue to face financial challenges in the future. These financial challenges are not unlike any other public radio station. KUER is in a better position than the majority of public stations. Over the past decade, KUER has become less and less reliant on tax based revenue; i.e., funds obtained from either the University of Utah or Federal dollars distributed by the Corporation for Public Broadcasting. KUER now receives over 70% of its annual operating budget from listeners, businesses, foundations and special events. Each of these categories continue to prosper. Over 50% of KUER donors are sustaining members of the station. This puts KUER in the top tier of public stations deriving revenue from a reliable and growing predictable source.

CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

The most pressing issue facing public radio stations may be public radio's ability to attract millennial listeners as effectively as it did the baby boom generation. This population cohort, currently defined as those born between 1982 and 2004, is the dominant age-based cohort in our society. This generation has an almost endless number of media options compared to previous generations. And the choices are much more finely drawn, as in fractious and divisive in nature. The Station and major program producers are adjusting programming in a way that appeals to this generation while maintaining the very high quality, high value program content.

A second area of challenge and opportunity is our constant desire to move away from the on-air funding model. The Station has been extremely successful recently in moving members to sustained giving, i.e. donors choose to give a certain amount every month until they decide to stop. This has led to more predictable budgeting and fewer days spent on the air fundraising. The Station still needs to find ways to attract new donors if we reduce the number of on-air fund drive days.

And lastly KUER's ability to provide local news and concentrate on connecting with the community through a wide range of engagement activities will be key to our continuing success.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

STATEMENT OF NET POSITION

As of June 30, 2016

	2016	[For Comparison Only] 2015
ASSETS		
Current assets		
Cash	$ 755,222	$ 753,315
Restricted cash	116,511	44,623
Receivables, net (Note 2)	866,357	858,582
Investments (Note 4)	289,065	236,633
Prepaid expenses	812	3,113
Total current assets	2,027,967	1,896,266
Noncurrent assets		
Net pension asset		304
Capital assets, net (Note 3)	685,451	859,024
Total noncurrent assets	685,451	859,328
Total assets	2,713,418	2,755,594
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	85,943	22,833
LIABILITIES		
Current liabilities		
Accounts payable	17,853	46,216
Accrued personnel services	199,791	187,582
Total current liabilities	217,644	233,798
Noncurrent liabilities		
Net pension liability	194,403	139,639
Total liabilities	412,047	373,437
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	20,033	13,425
NET POSITION		
Net investment in capital assets	685,451	859,024
Restricted – expendable	116,511	44,623
Unrestricted	1,565,319	1,487,918
Total net position	$2,367,281	$2,391,565

See accompanying notes to financial statements.

KUER-FM RADIO
(A Public Telecommunications Department of the University of Utah)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2016

	2016	[For Comparison Only] 2015
OPERATING REVENUES		
Sales and services	$ 44,725	$ 3,897
Total operating revenues	44,725	3,897
OPERATING EXPENSES		
Broadcasting	761,791	638,801
Programming and production	2,149,684	2,005,093
Program information	281,549	325,541
Management and general	316,773	295,073
Fundraising and membership development	843,426	847,543
Total operating expenses	4,353,223	4,112,051
Operating loss	(4,308,498)	(4,108,154)
NONOPERATING REVENUES		
Direct support from the University of Utah	478,737	466,035
Indirect support from the University of Utah	421,700	388,869
Federal grants	259,447	265,878
Contributions	2,219,642	1,940,550
Underwriting	872,684	1,015,170
Investment income (Note 4)	2,336	6,260
Other	29,668	35,741
Total nonoperating revenues	4,284,214	4,118,503
Increase (decrease) in net position	(24,284)	10,349
NET POSITION		
Net position – beginning of year	2,391,565	2,381,216
Net position – end of year	$ 2,367,281	$ 2,391,565

See accompanying notes to financial statements.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

STATEMENT OF CASH FLOWS

Year ended June 30, 2016

	2016	[For Comparison Only] 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	$ 42,775	$ 3,597
Cash payments for salaries, wages, and benefits	(1,992,732)	(1,916,711)
Cash payments for other operating expenses	(1,720,250)	(1,464,666)
Net cash used by operating activities	(3,670,207)	(3,377,780)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from the University of Utah	478,737	466,035
Cash received from Corporation for Public Broadcasting	259,447	265,878
Cash received from contributions	2,101,268	1,794,742
Cash received from underwriting	882,178	894,203
Cash received from other income	24,586	30,785
Net cash provided by noncapital financing activities	3,746,216	3,451,643
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital expenditures	(11,342)	(23,721)
Net cash used by capital financing activities	(11,342)	(23,721)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest income	9,128	8,638
Net cash provided by investing activities	9,128	8,638
Net increase in cash	73,795	58,780
Cash, beginning of year	797,938	739,158
Cash, end of year	$ 871,733	$ 797,938

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2016

	2016	[For Comparison Only] 2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (4,308,498)	$ (4,108,154)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	182,075	220,979
Loss on disposal of capital assets	2,840	
Indirect support from University of Utah	421,700	388,869
In-kind donations	48,913	101,917
Net outflows of resources relating to pensions	(1,434)	(10,849)
Change in assets and liabilities:		
Receivables related to operating revenue	(1,950)	(300)
Prepaid expenses	2,301	52,437
Accounts payable and accruals	(16,154)	(22,679)
Net cash used by operating activities	$ (3,670,207)	$ (3,377,780)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Decrease in fair value of investments	$ (6,792)	$ (2,378)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to principles of *Accounting and Financial Reporting for Public Telecommunications Entities*, published by the Corporation for Public Broadcasting (CPB), which conform to U.S. generally accepted accounting principles.

(a) Organization

KUER-FM Radio (the Station) is operated by the University of Utah (the University), Salt Lake City, Utah. There are common management and facilities between the Station and two affiliated television stations, KUED-TV and KUEN-TV. Certain Station personnel share their time among the Station, KUED-TV, and KUEN-TV.

(b) Accounting Principles

These financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The Station had adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, and GASB Statement No. 72, *Fair Value Measurement and Application.*

(c) Basis of Accounting

All statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the service efforts of the Station. Additionally, donations in-kind that are deemed to support the service efforts of the Station, as defined by its mission, goals, and objectives, are recorded as operating expenses. Such donations in-kind are also reflected as a part of nonoperating revenues as they are considered nonexchange transactions as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The accounting for revenues of the Station recorded in the accompanying Statement of Revenues, Expenses, and Changes in Net Position is as follows:

- **Sales and services** – Sales and services represent funds received from locally produced programming and facilities rentals. These amounts are recorded as services are rendered.

- **Direct support from the University of Utah** – Direct support from the University represents funds received to support various Station personnel and underwriting support. These amounts are recorded as revenue and associated expense at the estimated fair value or actual amounts where known at the time such costs are incurred.

(c) Basis of Accounting (Continued)

- **Indirect support from the University of Utah -** Indirect support from the University represents costs associated with certain administrative and other services provided by the University. These amounts are recorded as revenue and associated expense at the estimated fair value or actual amounts where known at the time such costs are incurred. The Station uses the University's negotiated facilities and administrative rate for other sponsored programs to determine indirect support. The rate is assessed against eligible Station expenses in deriving the amount recognized as indirect University support.

- **Indirect in-kind support from governmental entities -** Indirect in-kind support from governmental entities represents services provided by governmental entities and certain transmitter expenses. This support is recognized throughout the year as costs are incurred and expended by other governmental entities.

- **Federal grants -** Federal grants represent funds received from federal agencies to assist in the purchase of capital assets and to support programming and operating activities. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.

- **Corporation for Public Broadcasting -** Corporation for Public Broadcasting represents funds received from the CPB to support the operations of the Station, including personnel, programming and production, broadcasting, program information, educational services, training, and purchase of capital assets. These revenues are recognized as federal grants at the time the Station has met the eligibility requirements as defined by the grant.

- **Contributions -** Contributions represent funds received from individuals through on-air, direct mail, and special event fundraisers and are used to purchase national and locally produced programming. Pledges are recognized as revenue when a pledge is made by a donor and the amount is estimable and deemed probable of collection. Pledges for endowments are not recognized as receivable per GASB Statement No. 33.

- **Underwriting -** Underwriting represents funds received from local corporations and foundations to purchase national and locally produced programming. Underwriting revenues are recognized as revenues and expenses upon execution of an underwriting contract.

(d) Cash and Restricted Cash

Cash is pooled for the University, as a whole. Amounts reported as cash in the KUER's financial statements reflect the Station's proportionate ownership in that pool. Therefore, the Station does not have separate accounts in financial institutions. Thus, disclosures of risk related to deposits apply at the University level. See the financial statements of the University of Utah for those disclosures. Amounts reported as restricted cash reflect the funds received by the Station from its capital campaign that will be used to purchase a new transmitter and land for the transmitter to extend the Station's signal into the St. George, Utah area.

(e) Investments

The Station's investments are pooled with the University as a whole in the University's endowment pool. Amounts reported as investments in the KUER's financial statements reflect the Station's proportionate ownership in that pool. Therefore, the Station does not have separate accounts in financial institutions. Thus, disclosures of fair value and risk related to investments apply at the University level. See the financial statements of the University of Utah for those disclosures.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the University's spending policy.

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. See Note 4 for more information regarding these investments and the University's outstanding commitments under the terms of the partnership agreements. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

(f) Capital Assets

Capital assets are recorded at cost or, in the case of donated equipment, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Transmitter	15 years
Broadcast equipment	5 to 10 years

Expenditures for repairs and maintenance are charged to expense as incurred.

(g) Deferred Inflows/Outflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Station that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the Station that is applicable to a future reporting period. Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

(h) Income Taxes

The University, as a political subdivision of the State of Utah, has a dual status for federal income tax purposes. The University is both an Internal Revenue Code (IRC) Section 115 organization and an IRC Section 501(c)(3) charitable organization. This status exempts the University from paying federal income tax on revenue generated by activities that are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax. The Station, as a separate department of the University, shares in these same tax exemptions.

(i) Use of Estimates

Management of the Station has made estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(j) Restricted Resources

When the Station has both restricted and unrestricted resources available to finance a particular program, it is the Station's practice to use restricted resources before unrestricted resources.

(2) Receivables

Receivables at June 30 consist of the following:

	2016	(For Comparison Only) 2015
Underwriting	$ 348,755	$ 397,091
Contributions	693,272	607,778
Other		500
	1,042,027	1,005,369
Less allowance for doubtful accounts	(175,670)	(146,787)
	$ 866,357	$ 858,582

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

(3) Capital Assets

Capital assets at June 30, 2016 consist of the following:

	Beginning balance	Additions	Retirements	Ending balance
Transmitter	$ 479,526			$ 479,526
Broadcast equipment	1,164,678	$ 11,342	$ 26,877	1,149,143
Building	1,494,199			1,494,199
Total	3,138,403	11,342	26,877	3,122,868
Less accumulated depreciation				
Transmitter	264,544	21,532		286,076
Broadcast equipment	904,839	110,992	24,037	991,794
Building	1,109,996	49,551		1,159,547
Total accumulated depreciation	2,279,379	182,075	24,037	2,437,417
Capital assets, net	$ 859,024	$ (170,733)	$ 2,840	$ 685,451

(4) Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Act that relate to the deposit and investment of public funds.

Except for endowment funds and certain other investments, the University follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The Act defines the types of securities authorized as appropriate investments for the University’s non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

(4) Investments (Continued)

These statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable agreements; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The Station participates in the University's endowment pool. The University holds the investments within the pool on behalf of the Station. The Station holds an interest in the University's investment pool, but not in specific investment instruments within that pool. The Station carries its interest at fair value and had a net unrealized, noncash loss of $6,792 for the year ended June 30, 2016.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act, UPMIFA, Section 51-8 of the Utah Code; State Board of Regents' Rule 541, Management and Reporting of Institutional Investments; and the University's investment policy and endowment guidelines.

The UPMIFA, Rule 541, and the University's endowment guidelines allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds registered with the SEC or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital, private equity, both domestic and international), natural resources, private real estate, and hedge funds, such as long/short equities.

(4) Investments (Continued)

Fair Value of Investments

The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

See the University's investment note in its financial statements for a schedule of investments at fair value categorized by the three-tiered fair value hierarchy. A summary of the University's investments by level is as follows:

	Fair Value Measurements Using			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Total investments measured at fair value	$ 3,022,315,629	$ 14,167,132	$ 2,715,644,640	$ 292,503,857
Percentage of total fair value		0.5%	89.8%	9.7%

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets;
- Repurchase Agreements: valued at purchase price due to very short term to maturity;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and
- Utah Public Treasurers' Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the University's ending balance in the Fund.

(4) Investments (Continued)

Debt and equity securities classified as Level 3 may include common and preferred equity securities, partnership interests and ownership in similar entities, and, other privately issued securities. Many of these investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and may be limited partnerships. When observable prices are not available for these securities or identical assets, the University and a third-party investment consultant use one or more valuation techniques, for which sufficient and reliable data is available. The selection of appropriate valuation techniques may be affected by the availability of relevant inputs, as well as, the relative reliability of the inputs. In some cases, one valuation technique may provide the best indication of fair value, which in other circumstances multiple valuation techniques may be appropriate. The results provided by these various valuation methods may not be equally representative of fair value, due to changes in assumptions made during the valuation. When multiple valuation techniques are used, the University evaluates the reasonableness of the range of possible values and uses a fair value measurement based on the University's and the investment consultant's assessment of the most representative point within the range.

Under terms of various limited partnership agreements approved by the Board of Trustees or by University officers, the University is obligated to make periodic payments for advance commitments to venture capital and private equity investments. As of June 30, 2016, the University had committed, but not paid a total of $38.2 million in funding for these alternative investments.

Investment income in the Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2016 consists of the following:

	2016	**(For Comparison Only) 2015**
Unrealized loss on investments	$ (6,792)	$ (2,378)
Interest income on endowment pool distributions	9,128	8,638
Investment income	$ 2,336	$ 6,260

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at fair value on the date of receipt. Other investments are also recorded at fair value.

University personnel manage certain portfolios, while other portfolios are managed by banks, investment advisors or through trust agreements.

(4) Investments (Continued)

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the Utah Code, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending practice at June 30, 2016, was 4% of the twelve quarter moving average of the market value of the endowment pool. The spending practice is reviewed periodically and any necessary changes are made. In general, nearly all of the University's endowment is subject to spending restrictions imposed by donors.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For endowment funds Rule 541 requires that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank. Also, as required, the ownership of book-entry-only securities, such as U.S. Treasury or Agency securities, by the University's custodial bank was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Council or the UPMIFA and Rule 541, as applicable. For endowments, the University, under Rule 541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's Pool Asset Allocation Guidelines allocate endowment funds in the following asset classes:

(4) Investments (Continued)

Asset Category	Target	Range
Global Equity	**40** %	**30-50** %
Public Equities	25	15-50
Hedged Equity*	5	0-10
Private Equity*	10	0-15
Global Fixed Income/Credit	**20**	**10-40**
Interest Rate Sensitive	11	5-40
Credit Sensitive*	9	0-20
Real Assets	**20**	**10-30**
Real Estate*	7	0-15
Natural Resources*	8	0-10
Infrastructure*	5	0-10
Diversifying Strategies*	**20**	**0-30**

* May include semi-liquid hedge funds or illiquid private capital funds

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. At June 30, 2016, the University held more than 5% of its total investments in the Federal Home Loan Bank, the Federal Farm Credit Bank, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. These investments represent 12.2%, 6.2%, 16.4% and 6%, respectively, of the University's total investments.

(5) Pension Plans and Retirement Benefits

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the Station are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) or Fidelity Investments (Fidelity).

<u>Defined Benefit Plans</u>

Eligible plan participants are provided with pensions through the following Systems:

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) which are cost-sharing, multiple-employer public employee retirement systems.

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) which is a cost-sharing, multiple-employer public employee retirement system.

(5) Pension Plans and Retirement Benefits (Continued)

The Tier 2 Public Employee System became effective July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date, are members of the Tier 2 Retirement Systems.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated, 1953*, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System:

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** All post-retirement cost of living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

(5) Pension Plans and Retirement Benefits (Continued)

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401k Plan
Contributory System				
State and School Division Tier 1	6%	N/A	17.70%	N/A
State and School Division Tier 2*	N/A	N/A	18.24%	1.78%
Noncontributory System				
State and School Division Tier 1	N/A	N/A	22.19%	1.5%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial liability of the Tier 1 plans.

At June 30, 2016, the Station's net pension asset and liability were as follows:

	Proportionate Share *	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0094229%		$ 180,250
Contributory System	0.0370894%		14,153
Tier 2 Public Employees System	0.0123632%		
Total Net Pension Asset/Liability			$ 194,403

* Represents the proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2016 audited financial statements for the University's share of assets and liabilities in the Systems.

The net pension asset and liability were measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016 pension expense of $1,434 was recorded. At June 30, 2016, the Station reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(5) Pension Plans and Retirement Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1	$ 14,867
Changes in assumptions		3,797
Net difference between projected and actual earnings on pension plan investments	62,341	
Changes in proportion and differences between contributions and proportionate share of contributions	825	1,369
Contributions subsequent to the measurement date	22,776	
Total	$ 85,943	$ 20,033

Contributions made between January 1, 2016 and June 30, 2016 of $22,776 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2016	$ 9,391
2017	$ 9,391
2018	$ 10,034
2019	$ 13,896
2020	$ (52)
Thereafter	$ (233)

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 – 10.75 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

(5) Pension Plans and Retirement Benefits (Continued)

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The following assumption changes were adopted from the most recent actuarial study: a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.5%, a modification to the rate of salary increases for most groups, a decrease in the payroll growth assumption from 3.5% to 3.25%. The post retirement mortality assumption for female educators improved and the pre-retirement mortality assumption had minor changes. Additional changes were made to certain demographic assumptions. As a result, more members are anticipated to terminate employment prior to retirement, slightly fewer members are expected to become disabled, and members are expected to retire at a slightly later age.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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 by adding expected inflation.

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

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-term Expected Portfolio Real Rate of Return**
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.5% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

(5) Pension Plans and Retirement Benefits (Continued)

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Station's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset)/liability			
Noncontributory System	$ 540,697	$ 180,250	$ 91,171
Contributory System	52,550	14,153	(1,620)
Tier 2 Public Employees System			
Net pension liability	$ 593,247	$ 194,403	$ 89,551

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Plans

TIAA-CREF and Fidelity provide individual retirement fund contracts with each participating employee. Employees may allocate contributions by the Station to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2016, the Station's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. The Station has no further liability once contributions are made.

For the years ended June 30, 2016, 2015, and 2014, the Station's contributions to the Systems, TIAA-CREF and Fidelity were equal to the required amounts as follows: $214,250, $207,270 and $187,153, respectively.

(6) Risk Management

The Station participates in the University's insurance coverage program for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the Station and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

In addition, the Station participates in the University-maintained self-insurance funds for health care, dental, and auto/physical damage, which are held in a trust with an independent financial institution in compliance with Medicare reimbursement regulations. The Station's participation in these programs is funded through indirect support provided by the University.

(7) Commitments

The Station's rent for the year ended June 30, 2016 totaled $31,894 for land where the Station's digital transmitter is located. This lease expires in January 2019 with an estimated rental amount of $35,438 for fiscal year 2017.

The Station contracts for other transmitter sites. Rental fees for these leases totaled $38,984 for fiscal year 2016.

At June 30, 2016, future commitments under these leases consist of the following:

2017	$ 40,123
2018	40,940
2019	41,780
2020	42,646
2021-2022	87,989
Total	$ 253,478

(8) Subsequent Events

Management of the Station has evaluated subsequent events through January 6, 2017, which is also the date of the financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

Schedule of the Proportionate Share of the Net Pension Liability

Noncontributory System	**2016**	**2015**
Proportion of net pension liability (asset) **	0.0094229%	0.0073516%
Proportionate share of net pension liability (asset)	$ 180,250	$ 137,437
Covered employee payroll	$ 141,595	$ 138,826
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	127.3%	99.0%
Plan fiduciary net position as a percentage of total pension liability	84.5%	87.2%

Contributory System	**2016**	**2015**
Proportion of net pension liability (asset) **	0.0370884%	0.0269819%
Proportionate share of net pension liability (asset)	$ 14,153	$ 2,201
Covered employee payroll	$ 7,154	$ 7,241
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	197.82%	30.4%
Plan fiduciary net position as a percentage of total pension liability	92.4%	98.7%

Tier 2 Public Employees System	**2016**	**2015**
Proportion of net pension liability (asset) **	0.0123632%	0.0097655%
Proportionate share of net pension liability (asset)		$ (304)
Covered employee payroll		$ 50,600
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-0.03%	-0.6%
Plan fiduciary net position as a percentage of total pension liability	100.2%	103.5%

*Note: The Station implemented GASB Statement No. 68 in fiscal year 2015. The information on the Station's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

** Represents the proportionate share of the University of Utah's assets and liabilities. Refer to the University's fiscal year 2016 audited financial statements for the University's share of assets and liabilities in the Systems.

KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

Schedule of Employer Contributions

Noncontributory System	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Contractually Required Contribution	$ 50,494	$ 58,538	$ 53,298	$ 50,578	$ 37,571	$ 36,216	$ 33,015	$ 33,766	$ 32,736	$ 31,526
Contributions in Relation to the Contractually Required Contribution	(50,494)	(58,538)	(53,298)	(50,578)	(37,571)	(36,216)	(33,015)	(33,766)	(32,736)	(31,526)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 229,074	$ 182,740	$ 182,885	$ 216,907	$ 223,262	$ 221,920	$ 232,161	$ 237,455	$ 230,212	$ 221,700
Contributions as a Percentage of Covered Employee Payroll	22.0%	32.0%	29.1%	23.3%	16.8%	16.3%	14.2%	14.2%	14.2%	14.2%

Contributory System	**2016**	**2015**	**2014[1]**	**2013[1]**	**2012[1]**	**2011[1]**	**2010[2]**	**2009[2]**	**2008[2]**	**2007[2]**
Contractually Required Contribution	$ 1,970	$ 1,378	$ 1,148	$ 989	$ 581	$ 389	$ 2,011	$ 2,198	$ 2,238	$ 2,276
Contributions in Relation to the Contractually Required Contribution	(1,970)	(1,378)	(1,148)	(989)	(581)	(389)	(2,011)	(2,198)	(2,238)	(2,276)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 11,138	$ 12,998	$ 9,907	$ 8,197	$ 4,566	$ 2,183	$ 12,786	$ 13,972	$ 14,227	$ 14,467
Contributions as a Percentage of Covered Employee Payroll	17.7%	10.6%	11.6%	12.1%	12.7%	17.8%	15.7%	15.7%	15.7%	15.7%

Contributory System: Tier 2	**2016**	**2015**	**2014[1]**	**2013[1]**	**2012[1]**	**2011[1]**	**2010[2]**	**2009[2]**	**2008[2]**	**2007[2]**
Contractually Required Contribution	$ 14,661	$ 5,900	$ 4,916	$ 4,238	$ 2,487	$ 1,667	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(14,661)	(5,900)	(4,916)	(4,238)	(2,487)	(1,667)				
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Covered Employee Payroll	$ 80,398	$ 55,674	$ 42,432	$ 35,109	$ 19,555	$ 9,350				
Contributions as a Percentage of Covered-Employee Payroll[3]	18.2%	10.6%	11.6%	12.1%	12.7%	17.8%				

[1] Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. Prior to the implementation of GASB Statement No. 68 Tier 2 information was not separately available.

[2] The Tier 2 Public Employees System was created in 2011.

[3] For employees participating in the Public Employees Tier 2 Systems, the Station is required to contribute 18.24% of the employees' salaries to the Systems. The Station makes the required contributions by paying approximately 10% in to the Tier 2 Systems while the remainder is contributed to the Tier 1 Noncontributory System, as required by law.

The amounts reported here reflect the contributions to the Tier 2 systems rather than the total required.

CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITORS' 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*

KUER-FM Radio
The University of Utah Board of Trustees
and David W. Pershing, Ph.D., President
Salt Lake City, Utah

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 KUER-FM Radio, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KUER-FM Radio's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUER-FM Radio's internal control. Accordingly, we do not express an opinion on the effectiveness of KUER-FM Radio'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. 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 KUER-FM Radio's financial statements are free from 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.

WSRP, LLC

Salt Lake City, Utah
January 6, 2017

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