

KUED-TV
(A Public Telecommunications Department of the University of Utah)

Financial Statements

June 30, 2015

(With Independent Auditors' Report Thereon)

KUED-TV
(A Public Telecommunications Department of the University of Utah)

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INDEPENDENT AUDITORS' REPORT

KUED-TV

**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 KUED-TV (a public telecommunications department of University of Utah), which comprise the statement of net position as of June 30, 2015, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of KUED-TV as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1(a), the financial statements of KUED-TV are intended to present the financial position, the changes in financial position and cash flows of only KUED-TV. They do not purport to, and do not, present fairly the financial position of the University of Utah as of June 30, 2015, 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 10 and schedules of the proportionate share of the net pension liability and employer contributions on pages 30 and 31 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 January 7, 2016, on our consideration of KUED-TV'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 KUED-TV's internal control over financial reporting and compliance.

WSRP, LLC

Salt Lake City, Utah
January 7, 2016

KUED-TV

(A Public Telecommunications Department of the University of Utah)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of KUED-TV (the Station) as of and for the year ended June 30, 2015, with selected comparative information as of and for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto.

The Station is licensed to the University of Utah and is the only public television station in Utah that broadcasts the full Public Broadcasting Service (PBS) schedule. The Station has a significant commitment to local-interest television productions and community outreach and broadcasts an instructional television block from 9:00 a.m. to 2:00 p.m. every weekday. The Station broadcasts a digital signal to the State of Utah.

FINANCIAL HIGHLIGHTS

The Station's financial position at June 30, 2015 includes assets of \$13,521,512, deferred outflows of resources of \$98,944, total liabilities of \$1,256,279, and deferred inflows of resources of \$272,174. Net position, which represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, and a prior period adjustment for implementation of GASB 68, decreased by \$241,508 to \$12,092,003 at June 30, 2015.

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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Total revenues	\$ 9,704,882	\$ 10,183,217
Total expenses	<u>9,336,360</u>	<u>9,671,291</u>
Increase in net position	368,522	511,926
Prior period adjustment	<u>(610,030)</u>	
(Decrease) increase in net position, as restated	<u>\$ (241,508)</u>	<u>\$ 511,926</u>

Fiscal year 2015 revenues decreased by 4.7% or \$478,335, while expenses decreased by 3.5% or \$334,931.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

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) assets and deferred outflows of resources and (b) 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 inflows of resources, liabilities, and net position at June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Current assets		
Current assets, unrestricted	\$ 7,452,406	\$ 7,143,629
Current assets, restricted	28,145	22,829
Noncurrent assets		
Restricted investments	3,237,959	3,270,468
Investments in joint venture	552,698	550,816
Capital assets, net	<u>2,250,304</u>	<u>2,258,371</u>
Total assets	13,521,512	13,246,113
Deferred outflows of resources	98,944	
Current liabilities	651,178	645,102
Noncurrent liabilities	605,101	
Deferred inflows of resources	272,174	267,500
Net investment in capital assets	2,250,304	2,258,371
Restricted - expendable	28,145	22,829
Restricted - nonexpendable	3,237,959	3,270,468
Unrestricted	<u>6,575,595</u>	<u>6,781,843</u>
Total net position	<u>\$ 12,092,003</u>	<u>\$ 12,333,511</u>

A review of the Station's Statement of Net Position at June 30, 2015 and 2014 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

Current assets consist of cash, receivables, costs incurred for programs not yet broadcast, investments, and prepaid expenses. Total current assets increased by \$314,093 during fiscal year 2015. The increase was due primarily to increases of \$275,224 in unrestricted cash with the University of Utah, \$50,863 in unrestricted receivables and \$57,643 in costs incurred for programs not yet broadcast. These increases were offset by decreases of \$57,466 in investments, and \$18,803 in prepaid expenses. The percentage of unrestricted receivables allowance for doubtful accounts compared to unrestricted accounts receivable decreased from 47% in fiscal year 2014 to 42% in fiscal year 2015 primarily due to the Station encouraging individual donors to become monthly, sustaining donors. Sustaining donors authorize the Station to withdraw monthly contributions from their checking accounts or credit cards on an ongoing basis, until the donor instructs the Station to end the withdrawals. This eliminates the need for annual renewal notifications to be sent to the donors. The Station is being conservative in estimating the amount that will be received from these sustaining pledges. As more sustaining members continue to renew, the allowance for bad debt should decrease.

Noncurrent assets consist of restricted investments, investment in joint venture, and capital assets. Total noncurrent assets decreased by \$38,694 during fiscal year 2015. The decrease was primarily due to decreases of \$32,509 in restricted investments and \$8,067 in capital assets.

Deferred outflows of resources of \$98,944 in fiscal year 2015 is reflected for the first time as a result of the implementation of GASB 68.

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities increased by \$6,076 during fiscal year 2015 primarily due to the increased accrued personnel services.

Noncurrent liabilities in fiscal year 2015 is reflected for the first time as the result of the implementation of GASB 68, *Accounting and Financial Reporting for Pensions*. The new guidance requires employers providing defined benefit pensions through pension plans administered as trusts to recognize their long-term obligation for those benefits as a liability. The Station provides a defined pension plan to certain employees through the Utah Retirement System and therefore met the implementation criteria. As a result, the Station has recorded a long-term liability related to pensions of \$605,101. Consistent with the statement requirement, the beginning balance has been recorded as a component of Net Position as there is inadequate information to restate the prior year.

Deferred inflows of resources consist of deferred grant receipts and deferred inflows related to pensions. Total deferred inflows of resources increased by \$4,674 during fiscal year 2015 mainly due to an increase of \$58,174 in deferred inflows related to pensions. This increase was offset by a decrease of \$53,500 in unearned revenue.

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 component of net position* is subject to externally imposed restrictions governing their use. *Restricted nonexpendable component of net position* is subject to the funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is to be expended for purposes specified by the donor. Although *unrestricted component of net position* is not subject to externally imposed stipulations, most of the Station's unrestricted net position has been designated for various programming, production, outreach, and broadcasting projects to be used during fiscal year 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 272,572	\$ 379,341
Operating expenses	<u>9,336,360</u>	<u>9,671,291</u>
Operating loss	(9,063,788)	(9,291,950)
Nonoperating revenues	<u>9,316,065</u>	<u>9,799,084</u>
Income before additions to capital assets	252,277	507,134
Additions to capital assets	<u>116,245</u>	<u>4,792</u>
Increase in net position	368,522	511,926
Net position – beginning of year	12,333,511	11,821,585
Prior period adjustment	<u>(610,030)</u>	
Net position – beginning of year, as restated	<u>11,723,481</u>	
Net position – end of year	<u><u>\$ 12,092,003</u></u>	<u><u>\$ 12,333,511</u></u>

The Station's main revenue sources are the State of Utah, 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 were \$478,335 lower in fiscal year 2015 than in fiscal year 2014. This was partially due to a decrease of \$488,860 in investment income primarily due to a decrease in the market value of investments. Sales and service revenue decreased by \$106,769 due to decreased rental income of KUED facilities and work for hire. Other income decreased by \$57,893 primarily due to less revenue received from PBS. Support from KUEN-TV decreased by \$54,555. Contributions decreased by \$40,350 primarily due to the Station bringing the membership door-to-door canvassing program in-house rather than using an outside vendor. Indirect support from the University of Utah decreased by \$16,215. These decreases were offset by increase of \$100,946 from Federal Grants primarily due to increased revenue from CPB. Also, appropriations from the State of Utah increased by \$35,700. In addition, direct support from the University of Utah increased by \$28,533 primarily due to increased salary and benefits support.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

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

A comparative summary of the Station's operating expenses by functional classification for the years ended June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Program services		
Programming and production	\$ 3,925,071	\$ 4,012,458
Broadcasting	1,674,229	1,731,642
Program information	<u>1,102,525</u>	<u>1,219,764</u>
Total program services	<u>6,701,825</u>	<u>6,963,864</u>
Support services		
Fundraising and membership development	1,609,376	1,910,780
Management and general	<u>1,025,159</u>	<u>796,647</u>
Total support services	<u>2,634,535</u>	<u>2,707,427</u>
Total expenses	<u><u>\$ 9,336,360</u></u>	<u><u>\$ 9,671,291</u></u>

The Station's expenses decreased by \$334,931 in fiscal year 2015. Fundraising and membership development expenses decreased by \$301,404 primarily due to bringing the membership door-to-door canvassing program in-house rather than using an outside vendor, reduced fund drive expenses and personnel savings in underwriting and membership. Program information expenses decreased by \$117,239 primarily due to a decrease in personnel expenses. A new department, KUED Digital/Interactive Media, was initiated in FY '15. KUED's webmaster was moved to that new department and early retirement payments ended for two employees. Programming and production expenses decreased by \$87,387 primarily due to decreased production expenses related to local documentaries, fundraising and public affairs productions. Broadcasting expenses decreased by \$57,413 primarily due to a decrease in annual depreciation of capital assets and a decrease in operating expenses.

These decreases were offset by an increase in management and general expenses of \$228,512 primarily due to increased personnel expenses, increased Indirect Support from the University of Utah, increased in-kind support, and decreased expenditure recovery reclassified as revenue.

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 \$280,540 in fiscal year 2015 primarily due to a decrease in net cash used by operating activities, an increase in net cash provided by noncapital financing activities, a decrease in net cash from purchases of capital assets, and an increase in net cash provided by investing activities. The Station's significant sources of cash provided by noncapital financing activities include state appropriations, funding from the University of Utah, grants from the CPB, and private gifts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

Utah's economy has shown signs of recovery but the Station remains vigilant for signs of another economic downturn. Donations from corporations, foundations and the private sector are expected to remain level in fiscal year 2016. Funding from the State of Utah is also expected to increase modestly in fiscal year 2016. Federal funding makes up 20% of KUED's operating budget. While it is the goal of management to continue to decrease reliance on federal funding, flat or declining funding will significantly affect the organization.

The Station plans to continue to obtain funding from federal government programs, county governments, and private and local sources to assist with ongoing equipment replacement and preservation of our entire catalogue of film and video productions spanning more than fifty years of operation and service to the community. The Station will take advantage of contract service opportunities that have an educational component for University and outside clients as they arise.

With the elimination a few years ago of the NTIA Public Telecommunications Facilities Program at the U.S. Department of Commerce, KUED must bear the burden of depreciated equipment replacement without federal assistance. With the 2005 federally mandated digital conversion, 100 translators statewide were replaced at the same time. There is a concern that the useful life of all of those translators will expire at the same time, causing a significant cost for replacement.

In addition, the Federal government is conducting another bandwidth auction where it is estimated that up to 20 TV channels will be eliminated from the broadcast band and sold to wireless providers. Federal funds have been set aside to reimburse the Station for its main transmitter expenses resulting from the repacking of broadcast signals the elimination of these 20 TV channels will cause. Unfortunately, KUED's translators will also be affected by this action but expenses will not be reimbursed by the Federal government. It is estimated that the cost to the Station for the main transmitter and rural translators will be \$2.8 to \$3 million.

The Station will continue to produce and broadcast high-quality commercial-free programs that educate, enlighten, and entertain. Community outreach projects will continue to add visibility to the Station and will attract more viewers. The Station is exploring new methods to reach viewers on the many digital platforms that are now available for content consumption. The Station is streaming many PBS, BBC and local programs on its website, and is also creating content unique to online platforms. The Station is also increasingly using social media to engage with its viewers and donors.

Public television stations across the country have seen a decline in the number of donors who renew their memberships over the past few years. The Station is working with consultants to increase both the number of donors and the amount of donations in its Sustainer, Major Donor and Planned Giving programs as well as at its basic membership level.

The Station will continue to be prudent in its long-term planning. While it is not possible to predict the ultimate results, management will be aggressive in meeting these economic uncertainties to maintain its favorable financial position.

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STATEMENT OF NET POSITION

As of June 30, 2015

ASSETS

Current assets

Cash	\$ 3,926,412
Restricted cash	28,145
Receivables, net (Note 2)	434,159
Costs incurred for programs not yet broadcast	295,858
Investments (Note 4)	2,663,822
Prepaid expenses	130,839
Net pension asset	1,316

Total current assets 7,480,551

Noncurrent assets

Restricted investments (Note 4)	3,237,959
Investments in joint venture (Note 4)	552,698
Capital assets, net (Note 3)	2,250,304

Total noncurrent assets 6,040,961

Total assets 13,521,512

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	98,944
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Total deferred outflows of resources 98,944

LIABILITIES

Current liabilities

Accounts payable	99,080
Accrued personnel services	552,098

Total current liabilities 651,178

Noncurrent liabilities

Net pension liability	605,101
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Total liabilities 1,256,279

DEFERRED INFLOWS OF RESOURCES

Deferred grant receipts	214,000
Deferred inflows related to pensions	58,174

Total deferred inflows of resources 272,174

NET POSITION

Net investment in capital assets	2,250,304
Restricted – expendable	28,145
Restricted – nonexpendable	3,237,959
Unrestricted	6,575,595

Total net position \$12,092,003

See accompanying notes to financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2015

OPERATING REVENUES

Sales and services	\$ 272,572
Total operating revenues	<u>272,572</u>

OPERATING EXPENSES

Broadcasting	1,674,229
Programming and production	3,925,071
Program information	1,102,525
Management and general	1,025,159
Fundraising and membership development	1,609,376
Total operating expenses	<u>9,336,360</u>
Operating loss	<u>(9,063,788)</u>

NONOPERATING REVENUES

State of Utah appropriations	2,450,600
Direct support from the University of Utah	237,831
Indirect support from the University of Utah	882,224
Indirect in-kind support from governmental entities	77,748
Support from KUEN-TV	56,788
Federal grants	1,710,211
Contributions	2,603,319
Underwriting	1,009,821
Investment income (Note 4)	159,908
Other	127,615
Total nonoperating revenues	<u>9,316,065</u>
Income before additions to permanent endowments	252,277
Donated capital assets	116,245
Total additions to capital	<u>116,245</u>
Increase in net position	368,522

NET POSITION

Net position – beginning of year	12,333,511
Prior period adjustment (Note 9)	(610,030)
Net position – beginning of year, as restated	<u>11,723,481</u>
Net position – end of year	<u><u>\$ 12,092,003</u></u>

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

Year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from sales and services	\$ 270,066
Cash payments for salaries, wages, and benefits	(4,712,602)
Cash payments for other operating expenses	(2,924,606)
	<hr/>
Net cash used by operating activities	(7,367,142)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from the University of Utah	237,831
Cash received from Corporation for Public Broadcasting	1,710,211
Cash received from State of Utah appropriations	2,450,600
Cash received from contributions	2,572,590
Cash received from underwriting	823,526
Cash received from other income	116,291
	<hr/>
Net cash provided by noncapital financing activities	7,911,049

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchases of capital assets	(459,038)
Support from KUEN-TV	56,788
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Net cash used by capital financing activities	(402,250)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in joint venture	(111,000)
Proceeds from sale of investments	102,039
Purchases of investments	(71,044)
Cash received from interest income	218,888
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Net cash provided by investing activities	138,883

Net increase in cash 280,540

Cash, beginning of year 3,674,017

Cash, end of year \$ 3,954,557

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2015

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (9,063,788)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	467,105
Loss in joint venture	109,118
In-kind donations	296,236
Indirect support from University of Utah	882,224
Indirect in-kind support from governmental entities	77,748
Net inflows (outflows) of resources relating to pensions	(47,015)
Change in assets and liabilities:	
Prepaid expenses	18,803
Receivables related to operating revenue	(2,506)
Cost of programs not yet broadcast	(57,643)
Accounts payable and accruals	(47,424)
Net cash used by operating activities	<u><u>\$ (7,367,142)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Decrease in fair value of investments	<u><u>\$ (58,980)</u></u>
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See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(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

KUED-TV (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 an affiliated television station, KUEN-TV, and an affiliated radio station, KUER-FM Radio. Certain Station personnel share their time among the Station, KUEN-TV, and KUER-FM Radio.

(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*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(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.
- **State of Utah appropriations** - State of Utah appropriations represent direct support from the State of Utah as appropriated by the Utah State Legislature. These funds support Station personnel, programming and production, broadcasting, program information, installation and transmission, and educational service and training. These revenues are recognized when legally effective, which is the first day of the State of Utah's fiscal year, July 1.
- **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 estimated fair value or actual amounts where known at the time such costs are incurred.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

(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 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, including 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 in 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) *Program Rights*

Program rights purchased by the Station are expensed upon the initial program broadcast, due to the uncertainty of any future program broadcasts. The financial statements at June 30, 2015 do not include any deferred costs related to program rights.

(e) *Costs Incurred for Programs Not Yet Broadcast*

Costs incurred for programs not yet broadcast relate to programs produced by the Station that will be initially broadcast subsequent to June 30, 2015. Concurrent with initial broadcasting of the programs, their costs will be reported as operating expenses.

KUED-TV

(A Public Telecommunications Department of the University of Utah)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

(f) Cash

Cash is pooled for the University, as a whole. Amounts reported as cash in the KUED'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.

(g) Investments

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at their fair value. GASB Statement No. 31 requires that certain investments be reported at fair value and that investment income include changes in the fair value of these investments. Such changes in fair value are reflected in investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

(h) Capital Assets

Capital assets are recorded at cost or, in the case of donated equipment, at estimated fair value at 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.

(i) 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.

(j) 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies (Continued)

(k) 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 GAAP. Actual results could differ from those estimates.

(l) 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) Accounts Receivable

Accounts receivable at June 30, 2015 consist of the following:

Underwriting	\$ 241,593
Contributions	502,080
Other	7,296
	<u>750,969</u>
Less allowance for doubtful accounts	<u>(316,810)</u>
Receivables, net	<u><u>\$ 434,159</u></u>

(3) Capital Assets

Capital assets at June 30, 2015 consist of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Land	\$ 204,807			\$ 204,807
Transmitter	625,631			625,631
Broadcast equipment	8,163,463	\$ 466,614	\$ 98,992	8,531,085
Building	4,692,363			4,692,363
Total	<u>13,686,264</u>	<u>466,614</u>	<u>98,992</u>	<u>14,053,886</u>
Less accumulated depreciation				
Transmitter	498,529	41,709		540,238
Broadcast equipment	7,599,294	277,364	98,992	7,777,666
Building	3,330,070	155,608		3,485,678
Total accumulated depreciation	<u>11,427,893</u>	<u>474,681</u>	<u>98,992</u>	<u>11,803,582</u>
Capital assets, net	<u><u>\$ 2,258,371</u></u>	<u><u>\$ (8,067)</u></u>	<u><u>\$</u></u>	<u><u>\$ 2,250,304</u></u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(4) Investments

The State of Utah Money Management Council (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 State of Utah Money Management Act (Act) that relate to the deposit and investment of public funds.

Except for endowment funds, 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 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.

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), Federal National Mortgage Association (Fannie Mae) and Student Loan Marketing Association (Sallie 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.

The PTIF is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the 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, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, including gains and losses, net of administration fees, of the PTIF 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(4) Investments (Continued)

The University's participation in mutual funds may indirectly expose it to risks associated with using or holding derivatives. However, specific information about any such transactions is not available to the University.

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 \$58,980 for the year ended June 30, 2015.

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.

Investment income in the Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2015 consists of the following:

Unrealized loss on investments	\$ (58,980)
Interest income on endowment pool distributions	<u>218,888</u>
Investment income	<u><u>\$ 159,908</u></u>

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(4) Investments (Continued)

The Station's participation in the University's endowment pool exposes it to a portion of the applicable risks.

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:

<u>Asset class</u>	<u>Target allocation</u>	<u>Allocation range</u>
Global marketable equities	45%	20% – 60%
Global marketable fixed income	30%	25% – 50%
Alternatives	25%	5% – 30%

The University diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(4) Investments (Continued)

Joint Venture: The Station has an investment in DTV Utah, LC, a joint venture with seven other Wasatch front stations. The Station has a 13% interest in DTV Utah, LC at June 30, 2015. DTV Utah, LC was formed to design, construct, and operate a facility to transmit high-definition television signals of the participating members as mandated by the Federal Communications Commission. The facility was completed during fiscal year 2000. The Station's ongoing financial responsibility is to fund its share of operating and maintenance costs. The loss in the joint venture of \$109,118, which is included in broadcasting expenses in the Statement of Revenues, Expenses, and Changes in Net position, represents the Station's equity interest in the net loss of DTV Utah, LC for the year ended June 30, 2015. The net loss mainly comprised depreciation and other operating expenses. Financial statements for the joint venture are the responsibility of and are available from KSL-TV, one of the joint venture participants.

(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).

Defined Benefit Plans

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 multiple-employer public employee retirement system.

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. Chapter 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(5) Pension Plans and Retirement Benefits (Continued)

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salaries, all of which is paid by the Station, and the Station is required to contribute 17.70% of their annual salaries. In the State and School Noncontributory Retirement System, the Station is required to contribute 22.19% (with an additional 1.50% to a 401(k) salary deferral program) of plan members' annual salaries. The contribution requirements of the Systems are authorized by statute and specified by the Board, and the contribution rates are actuarially determined.

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 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(5) Pension Plans and Retirement Benefits (Continued)

Contributions: 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
Contributory System			
12 - State and School Division Tier 1	N/A	6.00%	17.70%
112 - State and School Division Tier 2	N/A	N/A	18.27%
Noncontributory System			
16 - State and School Division Tier 1	N/A	N/A	22.19%

At December 31, 2014, the Station's net pension asset and liability were as follows:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.0318567%		\$ 595,562
Contributory System	0.1169214%		9,539
Tier 2 Public Employees System	0.0423172%	\$ 1,316	
Total Net Pension Asset/Liability		\$ 1,316	\$ 605,101

The net pension asset and liability were measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014. For the year ended December 31, 2014 pension expense of \$47,015 was recorded. At December 31, 2014, the Retirement System reported deferred outflows of resources and deferred inflows of resources related to pensions for the Station from the following sources:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(5) Pension Plans and Retirement Benefits (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1	\$ 37,305
Changes in assumptions		20,869
Net difference between projected and actual earnings on pension plan investments	12,756	
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	86,187	
Total	<u>\$ 98,944</u>	<u>\$ 58,174</u>

Contributions made between January 1, 2015 and June 30, 2015 of \$98,944 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,	Deferred Outflows (Inflows) of Resources
2015	\$ (11,741)
2016	\$ (11,741)
2017	\$ (11,741)
2018	\$ (9,376)
2019	\$ (168)
Thereafter	\$ (880)

Actuarial assumptions: The total pension liability in the December 31, 2014 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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(5) Pension Plans and Retirement Benefits (Continued)

Active mortality rates are a function of the participant's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Participant Mortality

Class of Participant

Local Government, Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUF = Constructed mortality table based on actual experience of female educators multiplied by a given percentage

RP 2000 mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by a given percentage

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five year period January 1, 2008 to 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:

Asset Class	Expected Return Arithmetic Basis		
	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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(5) Pension Plans and Retirement Benefits (Continued)

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

The following presents the 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 liability			
Noncontributory System	\$ 1,243,094	\$ 595,562	\$ 53,843
Contributory System	19,910	9,539	862
Tier 2 Public Employees System	(2,747)	(1,316)	(119)
Net pension liability	<u>\$ 1,260,257</u>	<u>\$ 603,785</u>	<u>\$ 54,586</u>

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, 2015, 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, 2015, 2014, and 2013, the Station's contributions to the Systems, TIAA-CREF, Fidelity and Vanguard were equal to the required amounts as follows: \$478,852, \$437,262, and \$420,270, respectively.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(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 entered into a new lease agreement during fiscal year 2012 for land in Washington County, Utah, on which a second Station is located. Rent for the year ended June 30, 2015 totaled \$10,871. The rental payments under the lease are approximately \$11,261 in fiscal year 2016 with an annual increase of 3% thereafter, expiring in July 2017.

(8) Subsequent Events

Management of the Station has evaluated subsequent events through January 7, 2016, 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.

(9) Adjustment to Beginning Net Position

Effective July 1, 2014 the Station implemented GASB Statement No. 68 (GASB 68) *Accounting and Financial Reporting for Pensions*. This implementation resulted in the reduction of net position of the Station of \$610,030. The reduction represents the Station's \$688,070 share of the beginning net pension liability, the Station's \$268 share of the beginning net pension asset, and the Station's \$77,772 of contributions made between January 1 and June 30, 2014, for its current and former employees through its pension provider: the Utah Retirement Systems. Of the \$688,070 beginning net pension liability, \$677,061 is attributable to the URS Noncontributory System and \$11,009 is attributable to the URS Contributory System. The entire amount of the beginning net pension asset of \$268 is attributable to the URS Tier 2 Public Employees System. Further information on pension reporting is found in Note 5.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of the Proportionate Share of the Net Pension Liability

	2015		
	Noncontributory System	Contributory System	Tier 2 Public Employees System
Proportion of net pension liability (asset)	0.0318567%	0.1169214%	0.0423172%
Proportionate share of net pension liability (asset)	\$ 595,562	\$ 9,539	\$ (1,316)
Covered employee payroll	601,578	31,379	219,268
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	99.0%	30.4%	-0.6%
Plan fiduciary net position as a percentage of total pension liability	87.2%	98.7%	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.

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Schedule of Employer Contributions

KUED - Schedule of Contributions

Noncontributory System	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 253,663	\$ 230,957	\$ 219,172	\$ 162,807	\$ 156,936	\$ 143,067	\$ 146,320	\$ 141,857	\$ 136,613	\$ 124,701
Contributions in Relation to the Contractually Required Contribution	\$(253,663)	\$(230,957)	\$(219,172)	\$(162,807)	\$(156,936)	\$(143,067)	\$(146,320)	\$(141,857)	\$(136,613)	\$(124,701)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 791,873	\$ 792,503	\$ 939,931	\$ 967,469	\$ 961,651	\$ 1,006,030	\$ 1,028,971	\$ 997,582	\$ 960,699	\$ 931,782
Contributions as a Percentage of Covered Employee Payroll	32.0%	29.1%	23.3%	16.8%	16.3%	14.2%	14.2%	14.2%	14.2%	13.4%

Contributory System	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	\$ 5,969	\$ 4,974	\$ 4,288	\$ 2,516	\$ 1,687	\$ 8,716	\$ 9,524	\$ 9,697	\$ 9,861	\$ 9,286
Contributions in Relation to the Contractually Required Contribution	\$(5,969)	\$(4,974)	\$(4,288)	\$(2,516)	\$(1,687)	\$(8,716)	\$(9,524)	\$(9,697)	\$(9,861)	\$(9,286)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 56,325	\$ 42,929	\$ 35,520	\$ 19,784	\$ 9,459	\$ 55,407	\$ 60,545	\$ 61,649	\$ 62,690	\$ 62,319
Contributions as a Percentage of Covered Employee Payroll	10.6%	11.6%	12.1%	12.7%	17.8%	15.7%	15.7%	15.7%	15.7%	14.9%

Tier 2 Public Employees System	2015	2014¹	2013¹	2012¹	2011¹	2010²	2009²	2008²	2007²	2006²
Contractually Required Contribution	\$ 25,568	\$ 21,304	\$ 18,364	\$ 10,778	\$ 7,224	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	\$(25,568)	\$(21,304)	\$(18,364)	\$(10,778)	\$(7,224)					
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
Covered Employee Payroll	\$ 241,252	\$ 183,873	\$ 152,137	\$ 84,738	\$ 40,517					
Contributions as a Percentage of Covered-Employee Payroll ³	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 University is required to contribute 18.27% 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 Contributory System, as required by law.

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



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*

KUED-TV

**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 KUED-TV, which comprise the statement of net position as of June 30, 2015, 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 KUED-TV's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KUED-TV's internal control. Accordingly, we do not express an opinion on the effectiveness of KUED-TV'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 KUED-TV'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 7, 2016