



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


Financial Statements

June 30, 2006 and 2005

(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  
Michael K. Young, President:

We have audited the accompanying statement of net assets of KUER-FM Radio (a public telecommunications department of the University of Utah) as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of KUER-FM Radio management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KUER-FM Radio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(a), the financial statements present KUER-FM Radio, a public telecommunications department of the University of Utah, and do not purport to, and do not, present fairly the financial position of the University of Utah as of June 30, 2006, and the changes in its financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of KUER-FM Radio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis presented on pages 3 through 7 is not a required part of the basic financial statements of KUER-FM Radio, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

November 30, 2006

## KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006 and 2005

#### 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, 2006, with selected comparative information as of and for the year ended June 30, 2005. 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, as well as jazz music. 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 Salt Lake City, Utah residents, the Station's audience is at an all-time high, reaching over 105,000 listeners each week.

#### FINANCIAL HIGHLIGHTS

The Station's financial position at June 30, 2006 included total assets of \$1,546,564 and total liabilities of \$221,285. Net assets, which represent the residual interest in the Station's assets after liabilities are deducted, increased by \$24,337 to \$1,325,279 at June 30, 2006.

Changes in net assets 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, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Total revenues	\$2,537,414	\$2,130,657
Total expenses	2,513,077	2,098,129
Increase in net assets	<u>\$ 24,337</u>	<u>\$ 32,528</u>

Total revenues increased \$406,757 in fiscal year 2006 due primarily to increases of \$122,000 from the State of Utah, \$65,060 in contributions, \$23,798 in grant funding from National Telecommunications and Information Administration (NTIA), indirect in-kind support from governmental entities of \$85,869, and \$110,030 in all other income sources. Expenses, as described using functional classifications, increased by \$414,948 due primarily to an increase of \$97,506 in programming and production expenses. Fundraising expenses increased \$195,766 due primarily to staffing changes and more special events. Broadcasting expenses increased by \$88,892 due primarily to indirect in-kind expenses for microwave upgrades made possible by a CIB grant awarded to the Southeastern Utah Association of Local Governments.

#### 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 with U.S. generally accepted accounting principles and includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

# KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006 and 2005

### STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the Station at the end of the fiscal year and includes all assets and liabilities of the Station. The difference between total assets and total liabilities is net assets and is one indicator of the current financial condition of the Station, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values, except for capital assets, which are stated at historical cost less an allowance for depreciation.

A summarized comparison of the Station's assets, liabilities, and net assets at June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 484,598	\$ 368,814
Noncurrent assets		
Capital assets, net	<u>1,061,966</u>	<u>1,025,323</u>
Total assets	1,546,564	1,394,137
Current liabilities	<u>221,285</u>	<u>93,195</u>
Net assets	<u><u>\$1,325,279</u></u>	<u><u>\$1,300,942</u></u>

A review of the Station's Statement of Net Assets as of June 30, 2006 and 2005, 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, prepaid expenses, and investments. Total current assets increased \$115,784. The increase was due primarily to increases in cash on hand, accounts receivable and investments.

Noncurrent assets consist of net capital assets. Net capital assets increased by \$36,643 due to capital purchases made in fiscal year 2006.

Current liabilities consist of accounts payable and accrued personnel services. Total current liabilities increased \$128,090 during fiscal year 2006 due to an increase in accounts payable of \$107,552, and in accrued personnel services of \$20,538.

### NET ASSETS

Net assets represent the residual interest of the Station's assets after liabilities are deducted. *Invested in capital assets* represents the Station's capital assets net of accumulated depreciation. *Restricted expendable net assets* are subject to externally imposed restrictions governing their use. Although *unrestricted net assets* are not subject to externally imposed stipulations, most of the Station's unrestricted net assets have been designated for various programming and broadcasting needs, as well as capital projects to be used during fiscal year 2006.

## KUER-FM RADIO

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006 and 2005

#### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the Station's results of operations. A comparison of the Station's revenues, expenses, and changes in net assets for the years ended June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Operating revenues	\$2,533,507	\$2,128,374
Operating expenses	2,511,327	2,098,129
Operating gain	22,180	30,245
Nonoperating revenues	2,157	2,283
Increase in net assets	24,337	32,528
Net assets – beginning of year	1,300,942	1,268,414
Net assets – end of year	<u>\$1,325,279</u>	<u>\$1,300,942</u>

The Station's main revenue sources are the University of Utah, the CPB, individuals, foundation contributions, corporate donations, and the State of Utah. The Station also receives funds from the NTIA for specialized capital projects. The NTIA funds have to be applied for each year, and grants are not awarded every year. The Station has in the past and will continue to aggressively seek funding from all possible sources consistent with its mission.

The Station's operating revenues increased by \$405,133 in fiscal year 2006. The increase in revenues was primarily due to a matching grant from the State of Utah of \$122,000 for the Station's conversion to digital radio, indirect in-kind support from governmental entities of \$85,869, and an increase to contributions of \$65,060. The increase in contributions resulted from the Station's on-air fund drives being more successful resulting in more listeners becoming donors. The CIB grant that was awarded to Southeastern Utah Association of Local Governments resulted in the increase in indirect in-kind support from governmental entities. There were also increases of \$23,798 in grant funding from NTIA and \$108,406 in operating income from all other sources. The increase in other income resulted from special events such as live performances by NPR and American Public Media personalities. Indirect support from the University of Utah increased by \$32,706. Underwriting revenue decreased \$24,679 primarily due to a change in staffing in the development department.



## KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006 and 2005

A comparative summary of the Station's operating expenses by functional classification for the years ended June 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Program services		
Programming and production	\$1,195,989	\$1,098,483
Broadcasting	411,420	322,528
Total program services	<u>1,607,409</u>	<u>1,421,011</u>
Support services		
Management and general	245,738	214,704
Fundraising and development	658,180	462,414
Total support services	<u>903,918</u>	<u>677,118</u>
Total expenses	<u><u>\$2,511,327</u></u>	<u><u>\$2,098,129</u></u>

The Station's expenses increased by \$413,198 in fiscal year 2006. Programming and production expenses were \$97,506 higher in fiscal year 2006 because the Station spent more on program purchases and production. Fundraising expenses increased \$195,766 due to the hire of a new development director, underwriting representative, and clerical help for special events. Fiscal year 2006 fund drives were more successful, resulting in an increase in fund drive expenses, and more special events were held resulting in an increase in expenses. Broadcasting expenses increased by \$88,892 primarily due to indirect in-kind support for microwave upgrades from the CIB grant that was awarded to the Southeastern Utah Association of Local Governments.

### 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 \$94,812 due to the positive flow of cash provided by operating activities, offset by net cash used in capital financing activities and investing activities. The Station's significant sources of cash provided by operating activities include funding from the University of Utah, State of Utah, CPB, and private gifts.

### CURRENT FACTORS HAVING PROBABLE FUTURE FINANCIAL SIGNIFICANCE

The Station faces significant financial challenges in the future. For the past decade, the entire public radio system has grown increasingly dependent on individual, foundation, and corporate donations as federal and state sources of revenue have declined. The Station still faces an uncertain future with state and federal funding, so private funding sources will remain very important.

The explosion of portable hand-held devices; ipods, smart phones, and blackberries, all with enormous capacity to store music, pictures, and most recently, video, all pose potential challenges to those of us engaged in "traditional" media forms.

## **KUER-FM RADIO**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2006 and 2005

Our industry's strongest response to these challenges, the development of high definition, HD radio, is both an opportunity and a challenge to public broadcasters. Over the past three years KUER has invested well over \$200,000 in this transition from analog to digitally based broadcast. At this infant stage of the HD industry, whether or not these technical upgrades will result in more listeners and therefore more business and listener revenues is unknown.

The most significant short-term challenges are those outside the Station's control. These challenges include the volatility of the nation's economy, the war in Iraq, and unexpected natural disasters. If crises arise that draw upon local foundations, new revenues would have to be found to replace those lost from foundations.

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.



# KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

## STATEMENTS OF NET ASSETS

As of June 30

	<u>2006</u>	<u>[For Comparison Only] 2005</u>
<b>ASSETS:</b>		
Current assets		
Cash with the University of Utah	\$ 181,870	\$ 95,987
Restricted cash with the University of Utah	29,874	20,945
Receivables (Note 2)	167,803	180,022
Restricted receivables (Note 2)	67,834	37,500
Restricted prepaid expense		14,340
Investments (Note 4)	37,217	20,020
Total current assets	<u>484,598</u>	<u>368,814</u>
Noncurrent assets		
Capital assets, net (Note 3)	<u>1,061,966</u>	<u>1,025,323</u>
Total noncurrent assets	<u>1,061,966</u>	<u>1,025,323</u>
Total assets	<u>1,546,564</u>	<u>1,394,137</u>
<b>LIABILITIES:</b>		
Current liabilities		
Accounts payable	116,436	8,884
Accrued personnel services	104,849	84,311
Total current liabilities	<u>221,285</u>	<u>93,195</u>
<b>NET ASSETS:</b>		
Invested in capital assets	1,061,966	1,025,323
Restricted – expendable	97,708	72,785
Unrestricted	165,605	202,834
Total net assets	<u>\$1,325,279</u>	<u>\$1,300,942</u>

See accompanying notes to financial statements

## KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30

	2006	[For Comparison Only] 2005
<b>OPERATING REVENUES AND EXPENSES</b>		
Revenues:		
Direct support from University of Utah	\$ 443,508	\$ 429,950
Direct support from State of Utah	150,000	28,000
Indirect support from University of Utah	246,608	213,903
Indirect in-kind support from governmental entities	85,869	
Community Service Grants – CPB	213,117	251,999
Other grants	51,084	27,286
Contributions	700,835	635,775
Underwriting	475,212	499,891
Sales and services	1,902	3,605
Other	165,372	37,965
Total operating revenues	<u>2,533,507</u>	<u>2,128,374</u>
Expenses:		
Broadcasting	411,420	322,528
Programming and production	1,195,989	1,098,483
Management and general	245,738	214,704
Fundraising and membership development	658,180	462,414
Total operating expenses	<u>2,511,327</u>	<u>2,098,129</u>
Operating income	<u>22,180</u>	<u>30,245</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	2,071	1,107
Interest income	1,836	1,176
Loss on sale of equipment	(1,750)	
Total nonoperating revenues	<u>2,157</u>	<u>2,283</u>
Increase in net assets	24,337	32,528
<b>NET ASSETS</b>		
Net assets – beginning of year	<u>1,300,942</u>	<u>1,268,414</u>
Net assets – end of year	<u>\$1,325,279</u>	<u>\$1,300,942</u>

See accompanying notes to financial statements

**KUER-FM RADIO****(A Public Telecommunications Department of the University of Utah)****STATEMENTS OF CASH FLOWS**

Years ended June 30

	<u>2006</u>	<u>[For Comparison Only] 2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the University of Utah	\$ 443,508	\$ 429,950
Cash received from State of Utah	150,000	28,000
Cash received from Corporation for Public Broadcasting	182,783	214,499
Cash received from other federal grants	51,084	27,286
Cash received from contributions	693,838	634,364
Cash received from underwriting	444,268	482,271
Cash received from other income	163,072	3,785
Cash received from sales and services	1,802	24,015
Cash payments for salaries, wages, and benefits	(946,318)	(885,587)
Cash payments for other operating activities	(933,375)	(876,168)
Net cash provided by operating activities	<u>250,662</u>	<u>82,415</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Payments made for notes payable		(5,000)
Capital expenditures	(142,425)	
Net cash used in capital financing activities	<u>(142,425)</u>	<u>(5,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(15,126)	(18,913)
Cash received from interest income	1,701	999
Net cash used in investing activities	<u>(13,425)</u>	<u>(17,914)</u>
Net increase in cash	94,812	59,501
Cash, beginning of year	116,932	57,431
Cash, end of year	<u>\$ 211,744</u>	<u>\$ 116,932</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 22,180	\$ 30,245
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	104,032	82,045
Provision for loss on accounts receivable	49,567	30,788
Donated equipment from KUEN-TV		(287)
Change in assets and liabilities:		
Prepaid expenses	14,340	(14,340)
Receivables related to operating revenue	(67,547)	(51,926)
Accounts payable and accruals	128,090	5,890
Net cash provided by operating activities	<u>\$ 250,662</u>	<u>\$ 82,415</u>

See accompanying notes to financial statements

# KUER-FM RADIO

(A Public Telecommunications Department of the University of Utah)

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

### (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 conforms with 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.

All Government Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements are applied by the Station in the accounting and reporting of their operations. However, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Station has elected not to apply FASB pronouncements issued after November 30, 1989.

#### (b) 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 used to support the principal ongoing operations of the Station. Additionally, donations in-kind, which are deemed to support the principal ongoing operations 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 operating revenues.

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

- **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 expense at the estimated fair value at the time such costs are incurred.
- **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 expense at the estimated fair value at the time such costs are incurred. Administrative support consists of allocated costs of financial and accounting services, development services, and certain other expenses incurred by the University on behalf of the Station.
- **Federal grants** – Federal grants represent funds received from federal agencies to assist in the purchase of capital assets and support programming and operating activities. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.

## KUER-FM RADIO

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

- **Corporation for Public Broadcasting** – Corporation for Public Broadcasting represents funds received from the corporation to support the operations of the Station, including personnel, programming, and production broadcasting information, educational services, training, and the purchase of capital assets. These revenues are recognized at the time the Station has met the eligibility requirements as defined by the grant.
- **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 State of Utah** – Direct support from the State of Utah represents funds received to match federal funding from the Department of Commerce. These funds are used to support the Station’s broadcasting department. These revenues are recognized upon being legally effective, which is the first day of the State of Utah’s fiscal year, July 1.
- **Contributions** – Contributions represent funds received from individuals through on-air, direct mail, and special event fundraisers used to purchase national and locally produced programming. Pledges are recognized as revenue when a pledge is made by a donor.
- **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.

(c) **Investments**

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are stated at their fair value. 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 the Statement of Revenues, Expenses, and Changes in Net Assets.

(d) **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	30 years
Transmitter	15 years
Broadcast equipment	5 to 10 years

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

## KUER-FM RADIO

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

(e) **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, which 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.

(f) **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.

(g) **Restricted Resources**

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

(h) **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) **Accounts Receivable**

Accounts receivable at June 30 consist of the following:

	<b>2006</b>	<b>[For Comparison Only] 2005</b>
Federal grants	\$ 67,834	\$ 37,500
Underwriting	144,355	163,806
Contributions	23,036	16,039
Other	412	177
Total	<u>\$235,637</u>	<u>\$217,522</u>



## KUER-FM RADIO

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### NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

#### (3) Capital Assets

Capital assets at June 30, 2006 consist of the following:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>
Transmitter	\$ 183,341			\$ 183,341
Broadcast equipment	584,458	\$142,425	\$11,955	714,928
Building	1,486,515			1,486,515
Total	<u>2,254,314</u>	<u>142,425</u>	<u>11,955</u>	<u>2,384,784</u>
Less accumulated depreciation				
Transmitter	120,541	6,280		126,821
Broadcast equipment	551,199	48,201	10,205	589,195
Building	557,251	49,551		606,802
Total accumulated depreciation	<u>1,228,991</u>	<u>104,032</u>	<u>10,205</u>	<u>1,322,818</u>
Capital assets, net	<u>\$1,025,323</u>	<u>\$ 38,393</u>	<u>\$ 1,750</u>	<u>\$1,061,966</u>

#### (4) Investments

The Station participates in the University's investment pool, which is governed by the Utah State Money Management Act (the Act), Section 51-7, *Utah Code Annotated, 1953*, as amended, and the rules of the State Money Management Council. The Act defines the types of securities authorized as appropriate investments for the University 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. The University holds the investments within the pool on behalf of the Station. These investments are carried at fair value. The Station holds an interest in the University's investment pool, but not in specific investment instruments within that pool. The Station had a net unrealized loss of \$789 for the year ended June 30, 2006.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; 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 Publics Treasurer's Investment Fund.

Statutes also authorize the University to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the State Money Management Council. Rule 2 allows the University to invest these funds in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock, or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule.

## **KUER-FM RADIO**

(A Public Telecommunications Department of the University of Utah)

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### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2006 and 2005

#### **(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 the Utah State and School Contributory or Noncontributory Retirement System (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).

The Station contributes to the Systems that are multiemployer, cost-sharing, defined benefit pension plans. The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated, 1953*, as amended. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. 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.

Plan members in the Utah 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 8.89% of their annual salaries. In the Utah State and School Noncontributory Retirement System, the Station is required to contribute 14.88% (including 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.

TIAA-CREF provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. Contributions by the Station to the employees' contracts 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. For the year ended June 30, 2006, the Station's contribution to this defined contribution pension plan was 14.2% of the employees' annual salaries. The Station has no further liability once contributions are made.

For the years ended June 30, 2006, 2005, and 2004, the Station's contributions to the Systems were equal to the required amounts as follows: \$90,604, \$82,558, and \$81,266, respectively.



## **KUER-FM RADIO**

(A Public Telecommunications Department of the University of Utah)

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### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2006 and 2005

#### **(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, as well as hospital and physicians' malpractice liability self-insurance funds, 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, 2006 totaled \$10,083 for land where the Station transmitter is located. The rental payments under the lease are approximately \$10,400 per year expiring in July 2012, with a renewal option for an additional 10 years.

