

Report on the

WTSU-FM Radio - Troy University

Troy, Alabama

October 1, 2016 through September 30, 2017

Filed: February 23, 2018



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

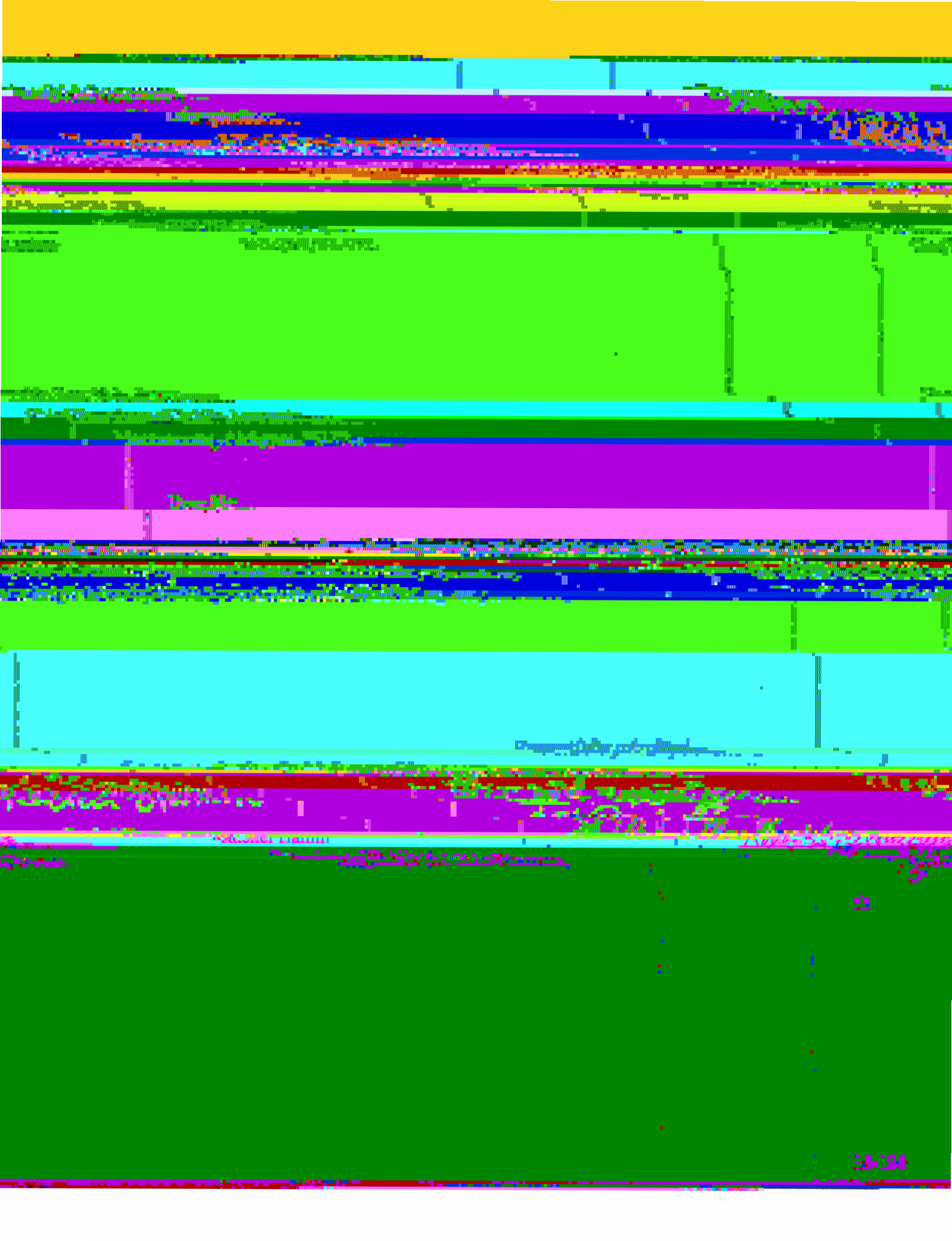


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<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the University introducing the basic financial statements and providing an analytical overview of the University's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
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Department of
Examiners of Public Accounts

SUMMARY

**WTSU-FM Radio – Troy University
October 1, 2016 through September 30, 2017**

Troy University (the “University”) is a state-supported public institution of higher education. The University offers studies in the following colleges: the College of Education; the College of Arts and Sciences; the College of Communication and Fine Arts; the College of Health and Human Services; and the Sorrell College of Business.

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Independent Auditor's Report

Independent Auditor's Report

To: Troy University Board of Trustees
Dr. Jack Hawkins, Jr., Chancellor
Troy University, Troy, Alabama 36082

Report on the Financial Statements

We have audited the accompanying basic financial statements of WTSU-FM Radio of Troy University, as of and for the year ended September 30, 2017 and 2016, as adjusted in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WTSU-FM Radio of Troy University as of September 30, 2017 and 2016, and its changes in financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) 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.



Management's Discussion and Analysis (Required Supplementary Information)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenue and expense activities are categorized as either operating or non-operating. Operating revenues are received for providing services to the various customers and constituencies of the Station. Operating expenses are those expenses paid to acquire or produce the services provided. Non-operating revenues are from transactions not associated with the stations principal activities. University and grant funds received for capital purposes are classified as non-operating revenue.

The Station's Statement of Revenues, Expenses and Changes in Net Position reports an operating loss of \$78,479. This reported operating loss is typically caused largely by depreciation of capital assets. Non-operating transactions such as granting as well as revenues resulting from exchange transactions involving tower space rental also affect net position. There was an overall decrease in Net Position of \$73,687 due to the factors discussed above.

Operating revenues decreased by \$16,025 due to a decrease in direct and indirect support from Troy University as well as a slight decrease in CFB funding. Operating expenses decreased by \$22,899 largely due to a decrease in broadcast and management and general expenses.

There was an overall decrease in Net Position; however, Troy University remains committed to keeping WTSU-FM vital for the coming years.

Condensed Statement of Revenues, Expenses and Changes in Net Position			
	2017	2016	Increase/ (Decrease)

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the Station during the fiscal year. This is a financial statement promulgated by GASB No. 34. This statement is designed to present the sources and uses of cash resources. The statement

Basic Financial Statements

Statement of Net Position

As of September 30, 2017 and 2016

	2017	2016
ASSETS		
<u>Current Asset s</u>		
Cash	\$ 7,543.75	\$ 11,137.38
Receivable from Foundation	155,780.26	139,477.53
Total Current Assets	<u>163,324.01</u>	<u>150,614.91</u>
<u>Noncurrent Asset s</u>		
Capital Assets:		
Transmission and Tower Equipment	1,529,334.54	1,529,334.54
Studio and Other Broadcast Equipment	793,000.24	793,000.24
Less: Accumulated Depreciation	(1,778,930.04)	(1,705,243.07)
Total Capital Assets, Net of Depreciation	<u>543,404.74</u>	<u>617,091.71</u>
Total Noncurrent Assets	<u>543,404.74</u>	<u>617,091.71</u>
Total Assets	<u>706,728.75</u>	<u>767,706.62</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Payable to University	155,780.26	139,477.53
Unearned Revenues	7,543.75	11,137.38
Total Current Liabilities	<u>163,324.01</u>	<u>150,614.91</u>
Total Liabilities	<u>163,324.01</u>	<u>150,614.91</u>
<u>Net Position</u>		
Net Investment in Capital Assets	<u>543,404.74</u>	<u>617,091.71</u>
Total Net Position	<u>\$ 543,404.74</u>	<u>\$ 617,091.71</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended September 30, 2017 and 2016

	2017	2016
<u>OPERATING REVENUES</u>		
Radio Community Service Grant FY 2017	\$ 113,416.25	\$ 108,216.62
Radio Community Service Grant FY 2016	11,137.38	25,171.19
Support from Troy University Foundation	155,780.26	139,477.53
Support from the Chapman Foundation	11,794.00	
Indirect Administrative Support from Troy University	265,995.00	287,835.00
Provided by Troy University	507,739.55	521,186.95
Total Operating Revenues	1,065,862.44	1,081,887.29
<u>OPERATING EXPENSES</u>		
Programming and Production	397,866.91	373,865.74
Broadcasting	195,386.68	223,574.04
Program Information and Promotion	28,633.53	21,625.09
Management and General	349,110.75	377,501.97
Fund Raising and Membership Development	99,657.07	90,180.30
Depreciation	73,686.97	80,494.10
Total Operating Expenses	1,144,341.91	1,167,241.24
Operating Income (Loss)	(78,479.47)	(85,353.95)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Capital Assets Donated by Foundation		7,674.23
Nongovernmental Grants and Contracts	4,792.50	4,859.85
Net Nonoperating Revenues	4,792.50	12,534.08
Change in Net Position	(73,686.97)	(72,819.87)
Total Net Position - Beginning of Year	617,091.71	689,911.58
Total Net Position - End of Year	\$ 543,404.74	\$ 617,091.71

Statement of Cash Flows
 For the Years Ended September 30, 2017 and 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Grants from the Corporation for Public Broadcasting	\$ 116,854.00	\$ 119,354.00
Direct Support from Troy University	524,042.28	519,067.02
Indirect Support from Troy University	265,995.00	287,835.00
Support from Troy University Foundation	139,477.53	141,597.46
Support from the Chapman Foundation	15,900.00	
Payments to Suppliers	(685,355.74)	(705,942.59)
Payments to Employees	(385,299.20)	(380,804.55)
Net Cash Provided (Used) by Operating Activities	(8,386.13)	(18,893.66)
<u>CASH FLOWS NONCAPITAL FINANCING ACTIVITIES</u>		
Private Contracts	4,792.50	4,859.85
Net Cash Provided (Used) by Noncapital Financing Activities	4,792.50	4,859.85
Net Increase (Decrease) in Cash and Cash Equivalents	(3,593.63)	(14,033.81)

Notes to the Financial Statements
For the Year Ended September 30, 2017

Notes to the Financial Statements

For the Year Ended September 30, 2017

C. Assets, Liabilities, and Net Position

1. Cash

The Station has defined cash to include currency on hand and demand deposits with financial institutions. At year-end, the Station had unexpended CBB and private grant funds on hand.

2. Receivables

Receivables relate to amounts due from the Troy University Foundation.

3. Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets

Notes to the Financial Statements
For the Year Ended September 30, 2017

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 2 – Deposits

The University's deposits at year-end were held by financial institutions participating in the State of Alabama's Security for Alabama Funds Enhancement Program.

Notes to the Financial Statements

For the Year Ended September 30, 2017

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percentage of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance

Notes to the Financial Statements

For the Year Ended September 30, 2017

For the year ended September 30, 2017, the University recognized pension expense of \$15,078,000.00. At September 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$4,001,000.00
Changes of assumptions	10,969,000.00	
Net difference between projected and actual earnings on pension plan investments	2,245,000.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	536,000.00	2,710,000.00
Employer contributions subsequent to the measurement date	10,231,444.05	
Total	\$23,981,444.05	\$6,711,000.00

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Notes to the Financial Statements

For the Year Ended September 30, 2017

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demogra

Notes to the Financial Statements
For the Year Ended September 30, 2017

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 5 – Other Postemployment Benefits (OPEB)

A. Plan Description

The University contributes to the Alabama Public Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administrative operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The Code of Alabama 1975, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov> under the Employers' Financial Reports section. The PEEHIB's financial report for fiscal year 2017 will be available at the end of January 2018. The provisions of GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions were implemented prospectively.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Acts of Alabama Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assessed in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly.

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year of service, the retiree pays 11% of the employee's salary for each year of service, but not more than 25% of the employee's salary for each year of service.

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 7 – Related Parties

Troy University Foundation, Inc., (the “Foundation”) was incorporated as a permanent, non-profit corporation established to receive, manage, and disburse funds and other assets given for the benefit of Troy University by individuals, foundations, corporations, and other private organizations. It also provides a central office for coordinating programs of private support. This report contains no financial statements of Troy University Foundation, Inc.

The Chairman of the Board of Trustees for the Foundation also sits as the President Pro tempore on the Board of Trustees of Troy University. During fiscal year 2017, the Foundation provided \$155,780.26 in support to the Station.

Note 8 – Risk Management

The Station is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and

Additional Information

Board Members and Officials

October 1, 2016 through September 30, 2017

Board Members	Term Expires
Hon. Kay Ivey, President	Ex-Officio
Hon. Gerald O. Dial, President Pro Tempore	2027
Hon. John D. Harrison, Vice-President Pro Tempore	2019
Hon. Forrest S. Latta	2027
Hon. Earl V. Johnson	2027
Hon. Allen E. Owen, III	2023
Hon. Lamar P. Higgins	2019
Hon. C. Gibson Vance	2023
Hon. Karen E. Carter	2019
Hon. Roy H. Drinkard	2023
Hon. C. Charles Nailen, Jr.	2021
Hon. Edward F. Crowell	2021

Officials

Dr. Jack Hawkins, Jr.,
Chancellor

Dr. James Bookout, Sr., Vice-Chancellor
for Finance and Business Affairs

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

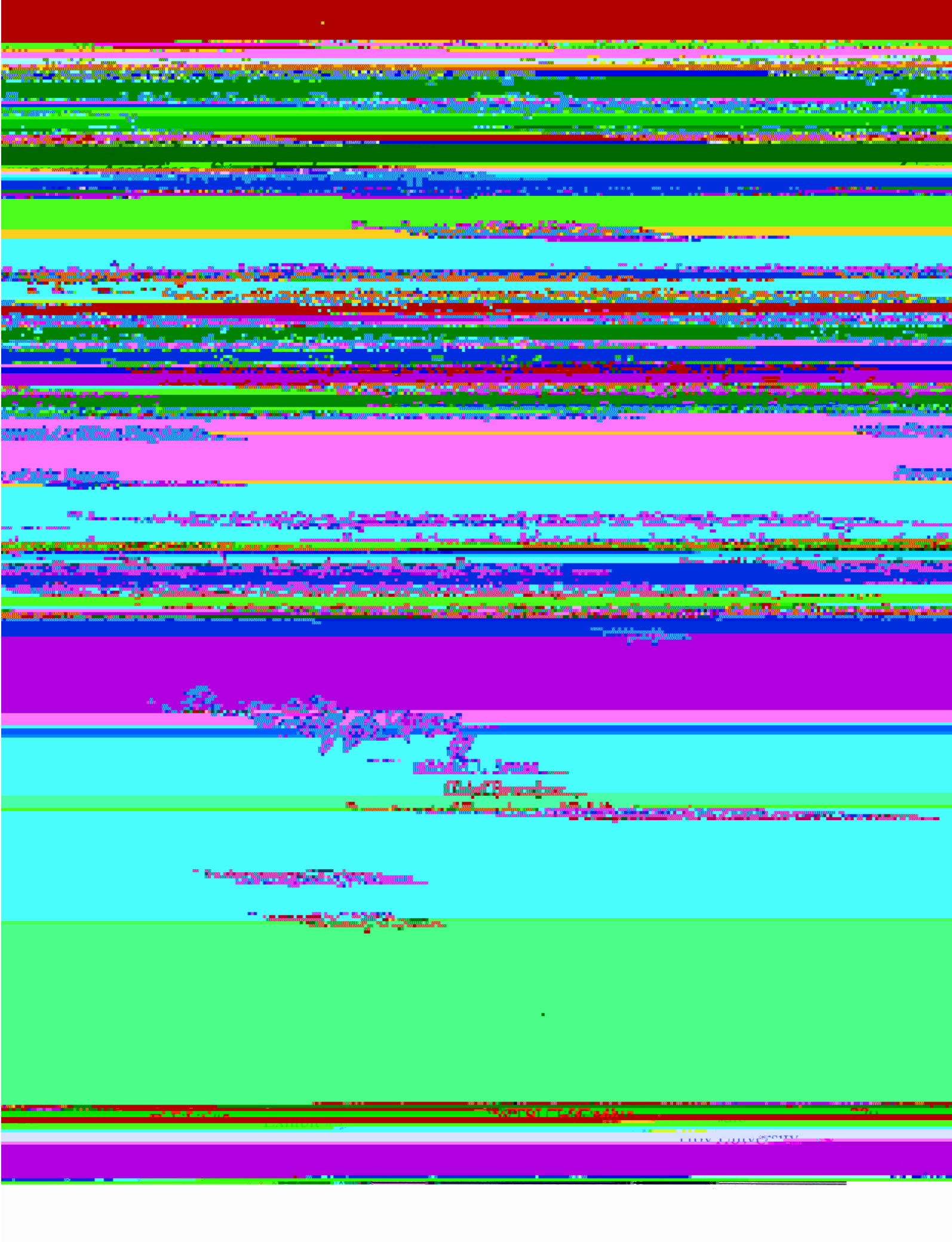
To: Troy University Board of Trustees
Dr. Jack Hawkins, Jr., Chancellor
Troy University, Troy, Alabama 36082

We have audited, 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, the financial statements of WTSU-FM Radio of Troy University as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of WTSU-FM Radio of Troy University, and have issued our report thereon dated January 31, 2018.

Internal Control Over Financial Reporting

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

the effectiveness of the internal control of WTSU-FM Radio of Troy University.



Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2017

Section I – Summary of Examiner's Results

Financial Statements