

Report on the

# WTSU-FM Radio - Troy University

Troy, Alabama

October 1, 2015 through September 30, 2016

Filed: March 3, 2017



## Department of Examiners of Public Accounts

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*Ronald L. Jones, Chief Examiner*



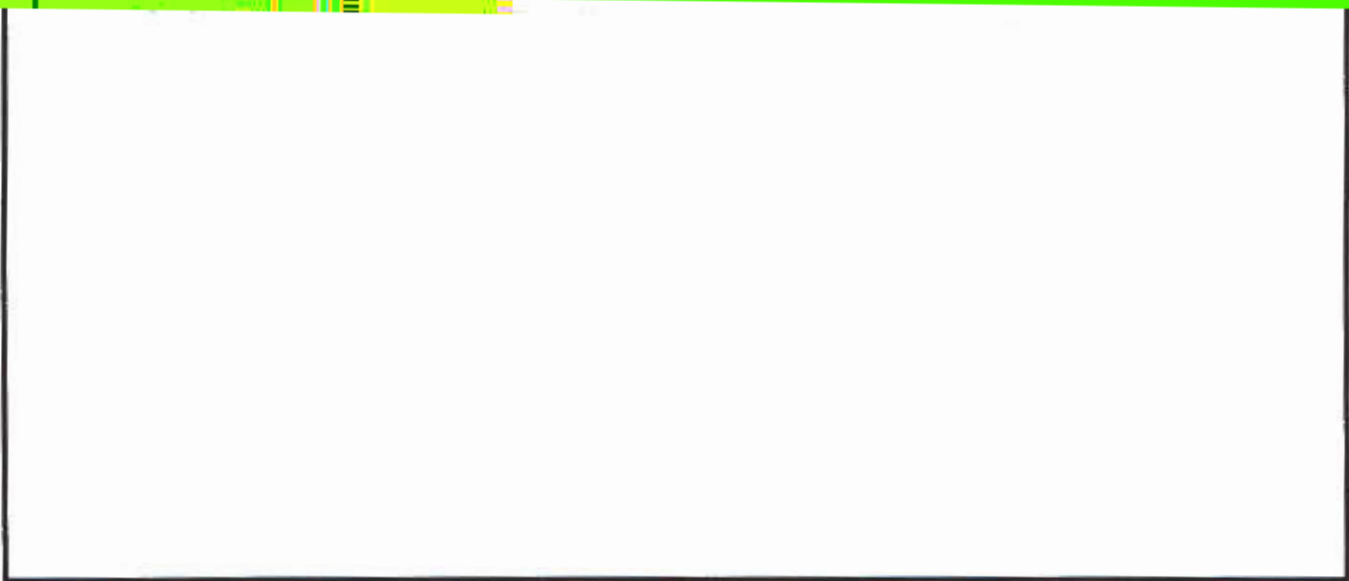


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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**WTSU-FM Radio – Troy University  
October 1, 2015 through September 30, 2016**

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.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements of WTSU-FM Radio of Troy University present fairly the financial position and results of financial operations and whether the University complied with applicable laws and regulations. The audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the basic financial statements of the WTSU-FM Radio of Troy University which means the financial statements present fairly, in all material respects, the financial position and the results of operations for the fiscal year ended September 30, 2016.

There were no findings in the prior audit.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this report: Tara Donaldson, Associate Vice-Chancellor and Controller; and Eugene Johnson, Director of Broadcast and Digital Network/WTSU-FM Radio Station Manager. The following individuals attended the exit conference via teleconferences: James Clower, former WTSU-FM Radio Station Manager and Conni Moseley, Assistant Controller. Representing the Department of Examiners of Public Accounts was: Annette G. Williams, Audit Manager.

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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

### **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, 2016 and 2015, as listed 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**

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 basic financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audi

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*Management's Discussion and Analysis  
(Required Supplementary Information)*

## **Management's Discussion and Analysis (MD&A)**

### **Overview**

The following Management's Discussion and Analysis, and the accompanying financial statements represent the radio operations of WTSU-FM (Station) for fiscal year ending September 30, 2016. The reporting format is in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 which includes the Basic Financial Statements and Management's Discussion and



Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes. The final category is unrestricted net position which is available to the institution for any appropriate purpose of the Station.

**Condensed Statement of Net Position**

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The Station's Statement of Revenues, Expenses, and Changes in Net Position reports an operating loss of \$85,354. This reported operating loss is typical and is caused largely by depreciation of capital assets. Non-operating transactions such as funding for capital asset purchases, dispositions of capital assets that are not fully depreciated, and revenues resulting from exchange transactions such as tower space and studio rentals also affect net position. There was an overall decrease in Net Position of \$72,820 due to the factors discussed above.

Operating revenues decreased by \$79,715 primarily due to a decrease in direct and indirect support from Troy University. Operating expenses decreased by \$100,481 largely due to a decrease in programming and production expenses and depreciation.

Non-operating revenues and expenses increased by \$8,207 largely due to an increase in tower and studio rental revenues and the absence of any capital asset adjustments.

There was an overall decrease in Net Position and Troy University will remain committed to keep WTSU-FM vital for the coming years.

<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
	<b>2016</b>	<b>2015</b>	<b>Increase/ (Decrease)</b>
Operating Revenues	\$1,081,887.29	\$1,161,601.81	\$ (79,714.52)
Operating Expenses	1,167,241.24	1,267,722.46	1,267,722.46

**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. GASB No. 34 classifies grants and gift revenues, two sources of revenues relied upon heavily by the Station, as non-operating revenues, while classifying the related expenditures of these sources as operating expenses. The statement activity is categorized into five parts: (1) operating activities, (2) non-capital financing activities, (3) capital and related financing activities, (4) investing activities, and (5) a reconciliation of the net cash used to the operating loss reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

<b>Condensed Statement of Cash Flows</b>	
	<b>2016</b>
Cash Provided (Used) By:	
Operating Activities	\$(18,893.66)
Non-capital Financing Activities	4,859.85
Net Change in Cash	<u>14,033.81</u>
Reconciliation:	
Operating Loss	(85,353.95)
Changes in Assets and Liabilities:	
Depreciation	80,494.10
(Increase)/Decrease in Receivables	2,119.93
Increase/(Decrease) in Unearned Revenues	(14,033.81)
Increase/(Decrease) in Payables	<u>(2,119.93)</u>
Cash Used by Operating Activities	<u><u>\$(18,893.66)</u></u>

The Station has significant reliance upon grants and gifts to meet its operating demands. Troy University supplied \$519,067 in direct support, \$287,835 in indirect support. The Foundation provided support of \$139,478 which was receivable as of the end of the fiscal year. The Corporation for Public Broadcasting assisted with grants for fiscal years 2015 and 2016 in the amount of \$119,354 of which \$11,137 was not expended in the fiscal year. These amounts are found in our operating activities. Tower rents for users of tower space and studio rental account for an extra \$4,860 in revenue shown in non-capital financing activities.

**Capital Assets**

Capital assets of the Station include transmission and tower equipment, studio and other broadcasting equipment. Capital assets increased by \$7,674 in 2015-16. Accumulated depreciation increased by \$80,494 for 2016, reducing the net book value of capital assets. The capital asset addition and the current depreciation resulted in the \$72,820 decrease in net position.

### **Public Radio Outlook**

Troy University Public Radio is not aware of any major decisions or conditions that will affect the financial position or the operation of public radio during the next fiscal year. The University continues to provide funding for technical improvements. The microwave system has been refurbished, thereby providing a more reliable signal to all three transmitters. We have employed an experienced Public Radio announcer who is also proficient in the use of social media. We have also employed a full time Media Development Coordinator. On-air and on-line fundraising efforts have generated substantial increases in listener support. The station continues to be recognized both statewide and nationally for its news and public affairs coverage. A residual effect has been awards for outstanding journalism. The University expects to continue to operate public radio with federal, state and private funding.

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# *Basic Financial Statements*

***Statement of Net Position***  
***As of September 30, 2016 and 2015***

	2016	2015
<b>ASSETS</b>		
<b><u>Current Assets</u></b>		
Cash from 2016 CPB Grant	\$ 11,137.38	\$ 25,171.19
Receivable from Foundation	139,477.53	141,597.46
Total Current Assets	<u>150,614.91</u>	<u>166,768.65</u>
<b><u>Noncurrent Assets</u></b>		
Capital Assets:		
Transmission and Tower Equipment	1,529,334.54	1,529,334.54
Studio and Other Broadcast Equipment	793,000.24	710,050.75
Less: Accumulated Depreciation	(1,705,243.07)	(1,549,473.71)
Total Capital Assets, Net of Depreciation	<u>617,091.71</u>	<u>689,911.58</u>
Total Noncurrent Assets	<u>617,091.71</u>	<u>689,911.58</u>
Total Assets	<u>767,706.62</u>	<u>856,680.23</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities</u></b>		
Payable to University	139,477.53	141,597.46
Unearned Revenues	11,137.38	25,171.19
Total Current Liabilities	<u>150,614.91</u>	<u>166,768.65</u>
Total Liabilities	<u>150,614.91</u>	<u>166,768.65</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	<u>617,091.71</u>	<u>689,911.58</u>
Total Net Position	<u>\$ 617,091.71</u>	<u>\$ 689,911.58</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, 2016 and 2015***

	<b>2016</b>	<b>2015</b>
<b><u>OPERATING REVENUES</u></b>		
Radio Community Service Grant FY 2016	\$ 108,216.62	\$ 95,479.81
Radio Community Service Grant FY 2015	25,171.19	23,503.79
Support from Troy University Foundation	139,477.53	141,597.46
Indirect Administrative Support from Troy University Provided by Troy University	287,835.00	294,369.00
	521,186.95	606,651.75
Total Operating Revenues	<u>1,081,887.29</u>	<u>1,161,601.81</u>
<b><u>OPERATING EXPENSES</u></b>		
Programming and Production	373,865.74	392,315.49
Broadcasting	223,574.04	236,267.68
Program Information and Promotion	21,625.09	38,868.23
Management and General	377,501.97	397,158.36
Fund Raising and Membership Development	90,180.30	101,319.32
Depreciation	80,494.10	101,793.38
Total Operating Expenses	<u>1,167,241.24</u>	<u>1,267,722.46</u>
Operating Income (Loss)	<u>(85,353.95)</u>	<u>(106,120.65)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Capital Assets Donated by Foundation	7,674.23	
Nongovernmental Grants and Contracts	4,859.85	4,327.27
Net Nonoperating Revenues	<u>12,534.08</u>	<u>4,327.27</u>
Change in Net Position	(72,819.87)	(101,793.38)
Total Net Position - Beginning of Year	689,911.58	791,704.96
Total Net Position - End of Year	<u>\$ 617,091.71</u>	<u>\$ 689,911.58</u>

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

***Statement of Cash Flows***  
***For the Years Ended September 30, 2016 and 2015***

	<b>2016</b>	<b>2015</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Grants from the Corporation for Public Broadcasting	\$ 119,354.00	\$ 120,651.00
Direct Support from Troy University	519,067.02	615,387.67
Indirect Support from Troy University	287,835.00	294,369.00
Support from Troy University Foundation	141,597.46	132,861.54
Payments to Suppliers	(705,942.59)	(707,678.65)
Payments to Employees	(380,804.55)	(458,250.43)
Net Cash Provided (Used) by Operating Activities	(18,893.66)	(2,659.87)
<b><u>CASH FLOWS NONCAPITAL FINANCING ACTIVITIES</u></b>		
Private Contracts	4,859.85	4,327.27
Net Cash Provided (Used) by Noncapital Financing Activities	4,859.85	4,327.27
Net Increase (Decrease) in Cash and Cash Equivalents	(14,033.81)	1,667.40
Cash and Cash Equivalents - Beginning of Year	25,171.19	23,503.79
Cash and Cash Equivalents - End of Year	11,137.38	25,171.19
<b><u>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:</u></b>		
Operating Income (Loss)	(85,353.95)	(106,120.65)
<b><u>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>		
DeprecC8E2y10.3( )-9055.5(4,327.55.7.-70.97CSpingtme7ET73.68 296.64 252 .95999 refBT/TT6 1 Tfsn TDeas)-6196		





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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### **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 CPB 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 and improvements are capitalized when projects are completed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

The depreciation method used by the Station is the straight-line basis. Equipment items except for vehicles are being depreciated over four years. Vehicles are depreciated over eight years. Tower facilities are depreciated over twenty years.

##### **4. Payables**

Payables relate to short-term borrowing from the University pending receipt of pledged funds from the Troy University Foundation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2016*

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#### **5. Unearned Revenue**

Revenues received but related to the period after September 30, 2016, have been deferred. Recognition of revenues relating to unexpended CPB funds has been recorded as unearned revenue.

#### **6. Net Position**

Net position is required to be classified for accounting and reporting purposes into the following categories:

**Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation.

#### **Restricted:**

**Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the Station.

**Expendable** – Net position whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time.

**Unrestricted** – Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

#### **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 (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2016*

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*Note 3 – Capital Assets*

Capital asset activity for the year ended September 30, 2016, was as follows:

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*Notes to the Financial Statements*

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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***D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At September 30, 2016, the University reported a liability of \$152,272,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015, the University's proportion was 1.454966%, which was an increase of 0.008881% from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the University recognized pension expense of \$11,455,000.00. At September 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2016*

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2016*

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investme



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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**G. Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the collective net pension liability	\$201,445,000	\$152,272,000	\$110,567,000

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the total pension liability, total deferred outflows of resources, total deferred



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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2016***

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The University only pays premiums for retired employee's health insurance. Each year PEEHIB certifies to the Governor and the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature gets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

***Note 6 – Additional Benefit Plan***

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2016*

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2015 through September 30, 2016***

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<b>Board Members</b>	<b>Term Expires</b>
Hon. Robert Bentley, 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

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# 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

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## Independent Auditor's Report

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

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, 2016, 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 February 3, 2017.

### 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 over financial reporting of WTSU-FM Radio of Troy University.

A ~~deficiency~~ 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. It is a deficiency, or 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.



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# Schedule of Findings and Questioned Costs

## For the Year Ended September 30, 2016

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### Section I – Summary of Examiner's Results

#### Financial Statements

Type of opinion issued:  
Internal control over

Unmodified