Report on the

WTSU-FM Radio - Troy University

Troy, Alabama

October 1, 2018 through September 30, 2019

Filed: February 21, 2020

Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner

20-182

State of Alabama
Department of
Examiners of Public Accounts
P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on WTSU-FM, a public telecommunications entity operated by Troy University for the period October 1, 2018 through September 30, 2019. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I submit this report to you on the results of the audit.

Respectfully submitted,

Annette G. Williams
Examiner of Public Accounts

Sworn to and subscribed before me this
the 10th day of February, 2020.

Wendy R. Weston
Notary Public

rb My Commission Expires
December 12, 2020

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Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the University introducing the basic financial statements of WTSU-FM Radio and providing an analytical overview of the Station's financial activities for the year. This information has not been audited, and no opinion is provided about the information.

Basic Financial Statements 1

Provides the minimum combination of financial statements and notes to the financial statements necessary for the fair presentation of WTSU-FM Radio financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

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Department of
Examiners of Public Accounts

SUMMARY

WTSU-FM Radio – Troy University
October 1, 2018 through September 30, 2019

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 41-5A-12.

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, 2019.

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 the audit appearing in 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: Eugene Johnson, Director of Broadcast and Digital Network/WTSU-FM Radio Station Manager and Conni Moseley, Senior Associate Controller. Representing the Department of Examiners of Public Accounts was Annette G. Williams, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

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, 2019 and 2018, and related notes to the financial statements which collectively comprise WTSU-FM Radio of Troy University's basic financial statements 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 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, 2019 and 2018, and the changes in its financial position and, its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only WTSU-FM Radio Station, a department of Troy University, and do not purport to, and do not, present fairly the financial position of Troy University as of September 30, 2019, the changes in its financial position, or changes in its cash flows thereof 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

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.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 13, 2020, on our consideration of the internal control over financial reporting of WTSU-FM Radio of Troy University and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 the internal control over financial reporting and compliance of WTSU-FM Radio of Troy University.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 13, 2020

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 (the "Station") for fiscal year ending September 30, 2019. The reporting format is in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34 which includes the Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Statement Number 35 which includes the Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

Troy University is categorized under GASB Statement Numbers 34 and 35 as a special purpose government engaged only in business-type activities (BTA). As a result, the Station operations follow the same categorization. The required financial reporting for BTA's include: (a) Management's Discussion and Analysis (MD&A), (b) Statement of Net Position, (c) Statement of Revenues, Expenses, and Changes in Net Position, (d) Statement of Cash Flows, and (e) Notes to the Financial Statements. The financial statements are prepared under the accrual basis of accounting where revenues and assets are recognized when the service is provided to the Station constituents and expenses and liabilities are recognized when the Station has procured goods or services, regardless of when cash is exchanged.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Station as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Station. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Position (assets minus liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Station. They are also able to determine how much the Station owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the Net Position (assets minus liabilities) and the availability for expenditure by the Station.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, provides the institution's equity in property, plant, and equipment used by the Station. The next category is restricted net position, which is divided into two categories, expendable and nonexpendable. 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

	2018-2019	2017-2018	Increase/ (Decrease)
Assets			
Current Assets	$223,325.87	$177,513.13	$ 45,812.74
Capital Assets, Net	441,891.11	490,448.66	(48,557.55)
Total Assets	665,216.98	667,961.79	(2,744.81)
Liabilities			
Current Liabilities	223,325.87	177,513.13	45,812.74
Total Liabilities	223,325.87	177,513.13	45,812.74
Net Position:			
Net Investment in Capital Assets	441,891.11	490,448.66	(48,557.55)
Total Net Position	$441,891.11	$490,448.66	$(48,557.55)

The increase in Cash was the result of more remaining unexpended 2019 CPB grant funds and Chapman Grant funds. The increase in Receivables relates to more funds due from Troy University foundation. The overall decrease in Capital assets is due to the net effect of depreciation and addition of a capital asset. For the 2018-2019 fiscal year, capital asset depreciation expense was $58,708. CPB funding is reported as unearned revenue until expended for its intended purpose. Unearned Revenue increased as a result of an increase in unexpended CPB grant funds and Chapman Grant funds. The increase in Payables is largely related to funds borrowed from the University pending receipt of funds due from the Troy Foundation. Total net position decreased by $48,558 between 2018 and 2019 as a result in capital asset activity.

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 goods and services to the various customers and constituencies of the Station. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are revenues received for which goods and services are not provided by the Station. 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 $64,033. This reported operating loss is typical and is caused largely by depreciation of capital assets. Non-operating transactions such as grant funding 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 $48,558 due to the factors discussed above.

Operating revenues decreased by $101,023 due to a decrease in direct and indirect support from Troy University and decrease in CPB funding. Foundation support increased slightly to offset the University decreases. Operating expenses decreased by $107,779 from 2018 to 2019.

Non-operating revenues decreased from 2018 to 2019 by $2,357. This was primarily due to decreased funding for capital asset additions.

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

Condensed State of Revenues, Expenses and Changes in Net Position

	2019	2018	Increase/ (Decrease)
Operating Revenues	$ 974,745.93	$1,075,769.11	$(101,023.18)
Operating Expenses	1,038,778.48	1,146,557.16	(107,778.68)
Operating Loss	(64,032.55)	(70,788.05)	6,755.50
Non-operating Revenues and Expenses	15,475.00	17,831.97	(2,356.97)
Change in Net Position	(48,557.55)	(52,956.08)	4,398.53
Net Position - Beginning of Year	490,448.66	543,404.74	(52,956.08)
Net Position - End of Year	$ 441,891.11	$ 490,448.66	$ (48,557.55)

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 Number 34. This statement is designed to present the sources and uses of cash resources. GASB Number 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.

Condensed Statement of Cash Flows

	2019
Cash Provided (Used) By:	
Operating Activities	$ 22,995.96
Non-capital Financing Activities	5,325.00
Net Change in Cash	28,320.96
Reconciliation:	
Operating Loss	(64,032.55)
Changes in Assets and Liabilities:	
Depreciation	58,707.55
(Increase)/Decrease in Receivables	(17,491.78)
Increase/(Decrease) in Unearned Revenues	25,320.96
Increase/(Decrease) in Payables	20,491.78
Cash Used by Operating Activities	$ 22,995.96

The Station has significant reliance upon grants and gifts to meet its operating demands. Troy University supplied $429,420 in direct support, $263,177 in indirect support. The Foundation provided support of $182,554 which was receivable as of the end of the fiscal year. The Corporation for Public Broadcasting assisted with grants for the 2019 fiscal year in the amount of $106,916 of which $34,022 was not expended in the fiscal year. A grant from the Chapman Foundation provided $18,000 of which $3,750 was unexpended at year-end. These amounts are included in our operating activities. Tower rents for users of tower space provided $5,325 which is 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 decreased slightly in 2018-2019. Accumulated depreciation increased by $58,708 for 2019, reducing the net book value of capital assets. The addition of a capital asset in the amount of $10,150 offset the current depreciation expense resulting in the $48,558 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. In 2019 ENCO, a new radio automation system, was implemented. On-air, on-line and underwriting efforts in 2019 continue to generate greater revenue and Emily Flowers, the underwriting and development coordinator hired in 2018 continues to grow this area. In October the Station also hired a new Morning Edition host, Ann Kenda who previously worked for Arkansas Public Radio. Kenda brings a wealth of experience to the position and listeners are responding positively to her on-air presence and delivery. The SNOtation 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.

Basic Financial Statements

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Statement of Net Position
As of September 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash	$ 40,771.74	$ 12,450.78
Receivable from Foundation	182,554.13	165,062.35
Total Current Assets	223,325.87	177,513.13
Noncurrent Assets		
Capital Assets:		
Transmission and Tower Equipment	1,529,334.54	1,529,334.54
Studio and Other Broadcast Equipment	815,944.71	805,794.71
Less: Accumulated Depreciation	(1,903,388.14)	(1,844,680.59)
Total Capital Assets, Net of Depreciation	441,891.11	490,448.66
Total Noncurrent Assets	441,891.11	490,448.66
Total Assets	665,216.98	667,961.79
LIABILITIES		
Current Liabilities		
Payable to University	182,554.13	165,062.35
Accounts Payable	3,000.00	
Unearned Revenues	37,771.74	12,450.78
Total Current Liabilities	223,325.87	177,513.13
Total Liabilities	223,325.87	177,513.13
Net Position		
Net Investment in Capital Assets	441,891.11	490,448.66
Total Net Position	$ 441,891.11	$ 490,448.66

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, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Radio Community Service Grant Fiscal Year 2019	$ 72,893.76	$
Radio Community Service Grant Fiscal Year 2018	12,450.78	95,630.22
Radio Community Service Grant Fiscal Year 2017		3,437.75
Support from Troy University Foundation	182,554.13	165,062.35
Support from the Chapman Foundation	14,250.50	16,106.00
Indirect Administrative Support from Troy University	263,177.00	289,096.00
Provided by Troy University	429,419.76	506,436.79
Total Operating Revenues	974,745.93	1,075,769.11
OPERATING EXPENSES		
Programming and Production	369,673.35	387,718.67
Broadcasting	146,303.55	234,417.70
Program Information and Promotion	30,545.54	30,256.93
Management and General	342,237.73	364,880.42
Fund Raising and Membership Development	91,310.76	63,532.89
Depreciation	58,707.55	65,750.55
Total Operating Expenses	1,038,778.48	1,146,557.16
Operating Income (Loss)	(64,032.55)	(70,788.05)
NONOPERATING REVENUES (EXPENSES)		
Capital Assets Funds Provided by Troy University	10,150.00	12,794.47
Nongovernmental Grants and Contracts	5,325.00	5,037.50
Net Nonoperating Revenues	15,475.00	17,831.97
Change in Net Position	(48,557.55)	(52,956.08)
Total Net Position - Beginning of Year	490,448.66	543,404.74
Total Net Position - End of Year	$ 441,891.11	$ 490,448.66

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

Statement of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants from the Corporation for Public Broadcasting	$ 106,916.00	$ 108,081.00
Direct Support from Troy University	446,911.54	515,718.88
Indirect Support from Troy University	263,177.00	289,096.00
Support from Troy University Foundation	165,062.35	155,780.26
Support from the Chapman Foundation	21,000.00	12,000.00
Payments to Suppliers	(672,785.18)	(746,778.64)
Payments to Employees	(307,285.75)	(334,027.97)
Net Cash Provided (Used) by Operating Activities	22,995.96	(130.47)
CASH FLOWS NONCAPITAL FINANCING ACTIVITIES		
Private Contracts	5,325.00	5,037.50
Net Cash Provided (Used) by Noncapital Financing Activities	5,325.00	5,037.50
CASH FLOWS CAPITAL FINANCING ACTIVITIES		
Capital Projects Funds Provided by Troy University	10,150.00	12,794.47
Purchases of Capital Assets	(10,150.00)	(12,794.47)
Net Cash Provided (Used) by Capital Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	28,320.96	4,907.03
Cash and Cash Equivalents - Beginning of Year	12,450.78	7,543.75
Cash and Cash Equivalents - End of Year	40,771.74	12,450.78
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	(64,032.55)	(70,788.05)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	58,707.55	65,750.55
Changes in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(17,491.78)	(9,282.09)
Increase/(Decrease) in Accounts Payable	20,491.78	9,282.09
Increase/(Decrease) in Unearned Revenue	25,320.96	4,907.03
Net Cash Provided (Used) by Operating Activities	$ 22,995.96	$ (130.47)

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

Note 1 – Summary of Significant Accounting Policies

WTSU-FM Radio (the "Station") is operated by Troy University in Troy, Alabama (the "Licensee"). The financial statements of the Station are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Licensee are described below. The Station does not have legal status or existence. The financial position, revenues, and expenses of the Station are included in the financial statements of Troy University.

A. Reporting Entity

Troy University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity", states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints Troy University's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Troy University is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Station have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the Station to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues result from transactions associated with the principal activities of the Station. Nonoperating revenues arise from transactions not associated with the Station's principal activities.

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 and Chapman Foundation 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 and amounts due to vendors.

5. Unearned Revenue

Revenues received but related to the period after September 30, 2019, have been reported 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.

Note 3 – Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Classification	Beginning Balance	Additions	Deletions	Ending Balance
Transmission and Tower Facilities	$1,529,334.54	$	$	$1,529,334.54
Studio and Other Broadcast Equipment	805,794.71	10,150.00		815,944.71
Total Capital Assets	2,335,129.25	10,150.00		2,345,279.25
Less Accumulated Depreciation:				
Transmission and Tower Facilities	1,055,250.91	51,898.72		1,107,149.63
Studio and Other Broadcast Equipment	789,429.68	6,808.83		796,238.51
Total Accumulated Depreciation	1,844,680.59	58,707.55		1,903,388.14
Capital Assets, Net	$ 490,448.66	$(48,557.55)	$	$ 441,891.11

Note 4 – WTSU-FM Employees

Station employees are eligible for certain benefits as employees of Troy University. These benefits include a defined benefit pension plan, supplemental retirement, health insurance and life insurance. Each employee is required to meet the eligibility requirements including any associated premiums or contributions for each of these benefits. The obligations of these benefits are reflected in the financial statements of Troy University.

Note 5 – 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 2019, the Foundation provided $182,554.13 in support to the Station.

Note 6 – 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 contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's Chancellor, Senior Vice-Chancellor for Finance and Business Affairs, and Associate Vice-Chancellor/Controller, as well as on all other University personnel who handle funds.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years.

Additional Information

Board Members and Officials
October 1, 2018 through September 30, 2019

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

(*) Serves until the Governor reappoints.

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

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, 2019, 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 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of WTSU-FM Radio of Troy University are free of 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.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 13, 2020