Report on the

WTSU-FM Radio - Troy University

Troy, Alabama

October 1, 2012 through September 30, 2013

Filed: February 28, 2014

Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

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Table of Contents

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Ronald L. Jones
Chief Examiner

Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Part I – Introduction

The Chancellor of Troy University requested an audit of WTSU-FM Radio, a public telecommunications entity operated by Troy University. The audit also included additional procedures as prescribed by the Corporation for Public Broadcasting. I submit this report for the period October 1, 2012 through September 30, 2013.

Part II – Highlights of Audit Results

Our unmodified opinion on the financial statements appears elsewhere in this report.

Respectfully submitted,

Annette G. Williams
Annette G. Williams
Examiner of Public Accounts

Sworn to and subscribed before me this
the 18 day of February, 20 14.

Lorrie M. Gore
Notary Public

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Independent Auditor’s Report

To: Dr. Jack Hawkins, Chancellor, Troy University

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, 2013 and 2012, as listed in the table of contents as Exhibits 1 through 3.

Management’s Responsibility for the Financial Statements

Troy University’s 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. 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, 2013 and 2012, 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 inquires, 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.

Ronald L. Jones
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

February 3, 2014

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, 2013. 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 Analysis for State and Local Governments and Statement No. 35 which includes the Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities were used.

Troy University is categorized under GASB 34/35 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 Assets, (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 assets 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 institution 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 asset 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

	2012-2013	2011-2012	Increase/ (Decrease)
Assets:			
Current Assets	$178,598.23	$184,653.41	($6,055.18)
Capital Assets, Net	963,841.01	598,783.50	365,057.51
Total Assets	1,142,439.24	783,436.91	359,002.33
Liabilities:			
Current Liabilities	178,598.23	184,653.41	(6,055.18)
Total Liabilities	178,598.23	184,653.41	(6,055.18)
Net Position			
Net Investment in Capital Assets	963,841.01	598,783.50	365,057.51
Total Net Position	$963,841.01	$598,783.50	$365,057.51

The increase in Cash was the result of unexpended 2013 CPB grant funds. The increase in Receivables relates to funds due from the Troy Foundation. The overall increase in Capital assets is due to the net effect of capital outlay and depreciation. For the 2012-13 fiscal year Capital outlay and depreciation expense were $501,701 and $136,644. The increase in Deferred Revenue was the result of unexpended CPB grant funds. The increase in Payables relates to funds borrowed from the University pending receipt of funds due from the Troy Foundation. Total net position increased by $365,058 between 2012 and 2013 which directly corresponds to the increase in capital assets net of depreciation.

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. University and grant funds received for capital purposes are classified as non-operating revenue.

Due to this operating/non-operating classification, the Station's Statement of Revenues, Expenses, and Changes in Net Position reports an operating loss. This reported operating loss is typical of all state supported/assisted activities through either state appropriations or state grants and demonstrates the Station's reliance on State support. There was an overall increase in Net Position of $365,058 due to the factors discussed above.

Operating revenues increased by $85,591 primarily due to an increase in direct and indirect support from Troy University. Operating expenses increased by $118,840 largely due to an increase in management and general expenses as well as fund raising efforts.

Non-operating revenues reflected a large increase of $397,271 due to continued funding for capital asset additions. An upgrade of the Wicksburg tower increased capital assets $501,702. The University provided funds for the tower upgrade.

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

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2013	2012	Increase/ (Decrease)
Operating Revenues	$1,128,096.97	$1,042,506.41	$85,590.56
Operating Expenses	1,269265.78	1,150,426.15	118,839.63
Operating Loss	(141,168.81)	(107,919.74)	(33,249.07)
Non-operating Revenues and Expenses	506,226.32	108,954.95	397,271.37
Increase in Net Position	365,057.51	1,035.21	364,022.30
Net Position, Beginning of Year	598,783.50	597,748.29	1,035.21
Net Position, End of Year	$ 963,841.01	$ 598,783.50	$365,057.51

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.

Condensed Statement of Cash Flows

	2013
Cash Provided (Used) By:	
Operating Activities	$ 5,074.82
Non-capital Financing Activities	4,525.00
Net Change in Cash	9,599.82
Reconciliation:	
Operating Loss	(141,168.81)
Adjustments:	
Depreciation	136,643.81
Decrease in Receivables	15,925.00
Increase in Deferred Revenues	9,599.82
Decrease in Payables	(15,925.00)
Cash Used by Operating Activities	$ 5,074.82

The Station has significant reliance upon grants and gifts to meet its operating demands. Troy University supplied $754,629 in direct support, $276,093 in indirect support and an additional $138,708 short term loan to cover amounts pledged and receivable from the Foundation as of the end of the fiscal year. Grants from the Corporation for Public Broadcasting assisted with $117,197 of which $39,890 was not expended in the fiscal year. These amounts are found in our Operating activities. Tower rents to users of tower space account for an extra $4,525 in cash shown in Non-capital financing activities.

Capital Assets

Capital assets of the Station include transmission and tower equipment and studio and other broadcasting equipment. Capital assets increased by $501,701 in 2012-13. Accumulated depreciation increased by $136,644 for 2013, which reduced the net book value of capital assets based on the useful lives of the assets. The capital asset additions offset by the current depreciation resulted in the $365,057.51 increase 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 such as the newly acquired remote monitoring systems for the transmitter sites. We have initiated an advertising campaign to increase public awareness of Troy University Radio. The employment of an Operations Manager with extensive public radio experience and the employment of a consultant have resulted in additional highly rated programming. This has also provided training for staff and students. As a result the station has been recognized both statewide and nationally for its news and public affairs coverage. A residual effect has been awards for outstanding journalism. Public Radio continues to receive outstanding support from our listeners and corporate sponsors. The University expects to continue to operate public radio with federal, state and private funding.

Statement of Net Position
As of September 30, 2013 and 2012

		2013		2012
ASSETS				
Current Assets				
Cash from 2013 CPB Grant	$	39,890.29	$	30,290.47
Receivable from Foundation		138,707.94		154,632.94
Total Current Assets		178,598.23		184,923.41
Noncurrent Assets				
Capital Assets:				
Transmission and Tower Equipment		1,570,748.63		1,069,047.31
Studio and Other Broadcast Equipment		710,050.75		710,050.75
Less: Accumulated Depreciation		(1,316,958.37)		(1,180,314.56)
Total Capital Assets, Net of Depreciation		963,841.01		598,783.50
Total Noncurrent Assets		963,841.01		598,783.50
Total Assets		1,142,439.24		783,706.91
LIABILITIES				
Current Liabilities				
Payable to University		138,707.94		154,632.94
Deferred Revenues		39,890.29		30,290.47
Total Current Liabilities		178,598.23		184,923.41
Total Liabilities		178,598.23		184,923.41
Net Position				
Net Investment in Capital Assets		963,841.01		598,783.50
Total Net Position	$	963,841.01	$	598,783.50

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, 2013 and 2012

	2013	2012
OPERATING REVENUES		
Radio Community Service Grant FY 2013	$ 77,306.71	$ 88,908.53
Radio Community Service Grant FY 2012	30,290.47	
Support from Troy University Foundation	138,707.94	154,362.94
Indirect Administrative Support from Troy University	296,161.00	243,092.00
Provided by Troy University	585,630.85	556,142.94
Total Operating Revenues	1,128,096.97	1,042,506.41
OPERATING EXPENSES		
Programming and Production	336,571.58	350,213.38
Broadcasting	235,292.71	235,622.92
Program Information and Promotion	65,859.78	19,557.48
Management and General	398,476.92	359,615.64
Fund Raising and Membership Development	96,420.98	82,225.94
Depreciation	136,643.81	103,190.79
Total Operating Expenses	1,269,265.78	1,150,426.15
Operating Income (Loss)	(141,168.81)	(107,919.74)
NONOPERATING REVENUES (EXPENSES)		
CPB - Digital Conversion Grant		65,178.00
Capital Projects funds provided by Troy University	501,701.32	39,048.00
Nongovernmental Grants and Contracts	4,525.00	4,728.95
Net Nonoperating Revenues	506,226.32	108,954.95
Change in Net Position	365,057.51	1,035.21
Total Net Position - Beginning of Year	598,783.50	597,748.29
Total Net Position - End of Year	$ 963,841.01	$ 598,783.50

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

Statement of Cash Flows
For the Years Ended September 30, 2013 and 2012

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Grants from the Corporation for Public Broadcasting	$	117,197.00	$	119,199.00
Direct Support from Troy University		569,705.85		710,505.88
Support From Troy University Foundation		154,632.94		
Indirect Support From Troy University		296,161.00		243,092.00
Payments to Suppliers		(674,740.99)		(616,040.75)
Payments to Employees		(457,880.98)		(431,194.61)
Net Cash Provided (Used) by Operating Activities		5,074.82		25,561.52
CASH FLOWS NONCAPITAL FINANCING ACTIVITIES				
Tower Space Rentals		4,525.00		4,728.95
Net Cash Provided (Used) by Noncapital Financing Activities		4,525.00		4,728.95
CASH FLOWS CAPITAL FINANCING ACTIVITIES				
CPB Digital Conversion Grant				65,178.00
Capital Projects Funds provided by Troy University		501,701.32		39,048.00
Purchases of Capital Assets		(501,701.32)		(104,226.00)
Net Cash Provided (Used) by Capital Financing Activities		-		-
Net Increase (Decrease) in Cash and Cash Equivalents		9,599.82		30,290.47
Cash and Cash Equivalents-Beginning of Year		30,290.47		
Cash and Cash Equivalents-End of Year		39,890.29		30,290.47
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)		(141,168.81)		(107,919.74)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense		136,643.81		103,190.79
Decrease in Receivables		15,925.00		154,362.94
Increase in Deferred Revenue		9,599.82		30,290.47
Decrease in Payables		(15,925.00)		(154,362.94)
Net Cash Provided (Used) by Operating Activities	$	5,074.82	$	25,561.52

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.

A. Reporting Entity

The 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.

The Station follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

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 assets are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues result from exchange transactions associated with the principal activities of the Station. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Station's principal activities, such as all nonexchange transactions, provided by the University and the University's Foundation.

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 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 fair market value 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 Foundation.

5. Deferred Revenue

Revenues received but related to the period after September 30, 2013, have been deferred. Recognition of revenues relating to unexpended CPB funds has been deferred.

6. Net Position

Net assets are required to be classified for accounting and reporting purposes into the following net asset 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 assets 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 – Property and Equipment

Capital asset activity for the year ended September 30, 2013, was as follows:

Classification	Beginning Balance	Additions	Deductions	Ending Balance
Transmission and Tower Facilities	$1,069,047.31	$501,701.32	$	$1,570,748.63
Studio and Other Broadcast Equipment	710,050.75			710,050.75
Total Capital Assets	1,779,098.06	501,701.32		2,280,799.38
Less Accumulated Depreciation:				
Transmission and Tower Facilities	644,991.81	52,317.58		697,309.39
Studio and Other Broadcast Equipment	535,322.75	84,326.23		619,648.98
Total Accumulated Depreciation	1,180,314.56	136,643.81		1,316,958.37
Capital Assets, Net	$ 598,783.50	$365,057.51	$	$ 963,841.01

Note 4 – Defined Benefit Pension Plan

A. Plan Description

The University contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all full-time employees of Troy University are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the University. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the C***ode of Alabama 1975***, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees are required by statute to contribute 7 ½ percent of their salary to the Teachers' Retirement System. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

The retirement benefits applicable to Station employees are reflected in the University's financial statements.

Note 5 – Other Postemployment Benefits (OPEB)

A. Plan Description

The University contributes to the Alabama Retired 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 administration and 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/PEEHIP/peehip.html under the Trust Fund Financials tab. 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 Act Number 255, Acts of Alabama, 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 assets used 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 under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is $28.00 per month for retired members who use tobacco products.

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

A. Supplemental Retirement

Regular full-time employees who have completed one year of continuous full-time service are eligible for an optional supplemental retirement program, the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) or Lincoln National. Retirement payments under the plan are obligations of the provider and not the University. Employees of the University who were hired before September 1, 1991, and earn less than $60,535.00 annually may contribute five or more percent of their salary annually, not to exceed Internal Revenue Service limits, and receive a 5% match by the University. Employees hired on September 1, 1991, or later would be provided matching contributions of up to three percent on a maximum of $18,000.00 of annual salary. The maximum dollar benefit would be $540.00 per year. New employees can enroll after one year of employment without regard to age. Grandfathered employees may also choose this plan or remain with the previously described plan.

B. Self-Insured Health Insurance Program

The University self-insures its health insurance program for all eligible current employees. Underwriters assist in the calculation of employee premium rates based on claim history and market trends. The University has a Stop Loss policy to cover costs up to $825,000.00 per participant after meeting a $175,000.00 deductible. Claims are processed and paid by an outside servicer.

C. Life Insurance

Employees of the University, who were hired before September 1, 1991, are eligible for life insurance provided by the University. There are four options the employee could choose based on their classification and co-pay arrangement. The University will pay up to $0.55 per $1,000 up to 100% of the premium for active employees or retirees. Troy University collects the co-pay from employees annually.

Note 7 – Related Parties

Troy University Foundation, Inc., (the "Foundation") was incorporated on 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.

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 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.