



# Alabama Department of Examiners of Public Accounts

## *Report on the* **Troy University** **Troy, Alabama**

October 1, 2022 through September 30, 2023

Filed: June 21, 2024

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ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on Troy University, Troy, Alabama, for the period October 1, 2022 through September 30, 2023. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Rachel Hamm  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Troy University**  
**October 1, 2022 through September 30, 2023**

**Troy University Foundation**  
**October 1, 2022 through September 30, 2023**

Troy University (the “University”) is a state-supported public institution of higher education accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate, baccalaureate, master’s, education specialist, and doctoral degrees. The University is comprised of a network of campuses in Alabama and teaching sites outside Alabama in the United States and abroad. The University is managed by a Board of Trustees appointed by the Governor and confirmed by the state Senate. 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.

Troy University Foundation (the “Foundation”) was established to promote the study and teaching of all subjects that may be offered at or under the auspices of Troy University and to enhance the University’s ability to seek private funding.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the University’s component unit, the Foundation, which was audited by other auditors. The University’s 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. The Foundation audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal year ended September 30, 2023.

### **AUDIT FINDINGS**

Problems were found with the University's internal controls over compliance for its federal financial assistance programs (Exhibit 14) and they are summarized below.

- ◆ 2023-001: The University failed to properly determine if a return to Title IV was necessary.
- ◆ 2023-002: The University failed to verify whether students began attendance in classes prior to disbursing Title IV aid.

### **EXIT CONFERENCE**

The following officials/employees were invited to an exit conference to discuss the results of the audit: Dr. Jack Hawkins, Jr., Chancellor; Dr. James Bookout, Senior Vice-Chancellor for Financial Affairs and Online Education and Tara Donaldson, Vice-Chancellor and Controller. The following individuals attended the exit conference: Conni Moseley, Senior Associate Controller; Shelley Jordan, Associate Controller and Gordana Heffner, Associate Controller. Representing the Department of Examiners of Public Accounts were Annette G. Williams, Audit Manager, Rachel Hamm, Examiner and Sahara Christensen, Intern.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Dr. Jack Hawkins, Jr., Chancellor – Troy University  
Troy, Alabama 36082

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of Troy University, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Troy University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Troy University and Troy University Foundation, as of September 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Troy University Foundation, a discretely presented component unit, which represents 100% of the total assets, total net assets and revenues of the component unit. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Troy University Foundation, is based on the report of other auditors.

#### **Basis for Opinions**

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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Troy University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Troy University Foundation were not audited in accordance with ***Government Auditing Standards***.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Troy University's basic financial statements for the year ended September 30, 2023, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 96, ***Subscription-Based Information Technology Arrangements (SBITA)***. Troy University implemented the requirements of GASB Statement Number 96 during the fiscal year. Our opinion on the basic financial statements is not modified with respect to this matter.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Troy University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and ***Government Auditing Standards*** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- ◆ obtain an understanding of internal control relevant to the audit 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 Troy University's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Troy University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Required Supplementary Information**

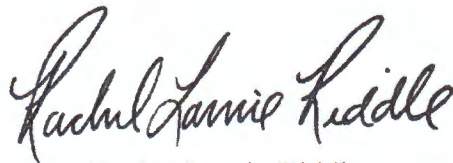
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the University's Proportionate Share of the Collective Net Pension Liability, the Schedule of the University's Contributions – Pension, the Schedule of the University's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the University's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Troy University, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) is presented for the purpose of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024, on our consideration of Troy University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Troy University's 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 Troy University's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 5, 2024

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

# TROY UNIVERSITY™

## Management’s Discussion and Analysis (Unaudited)

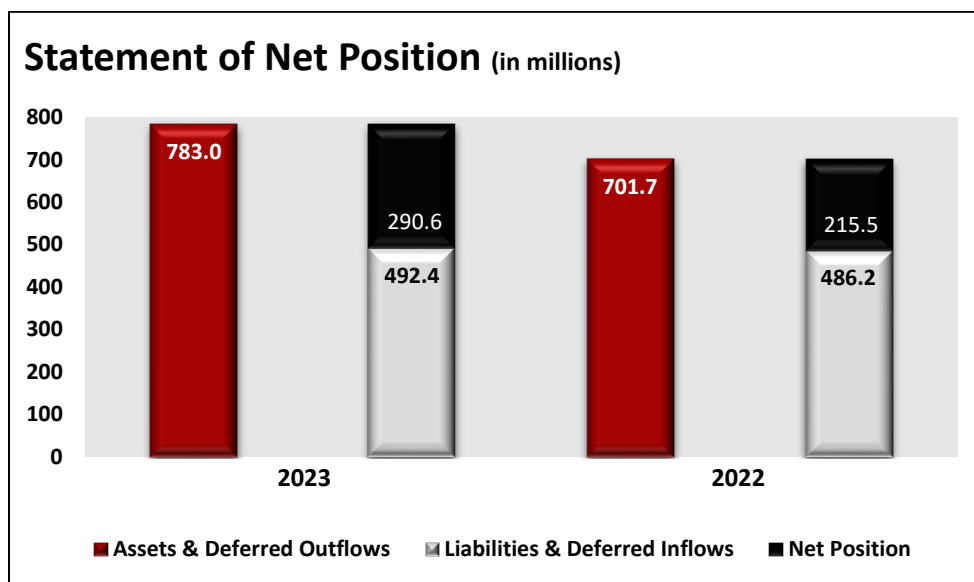
### INTRODUCTION

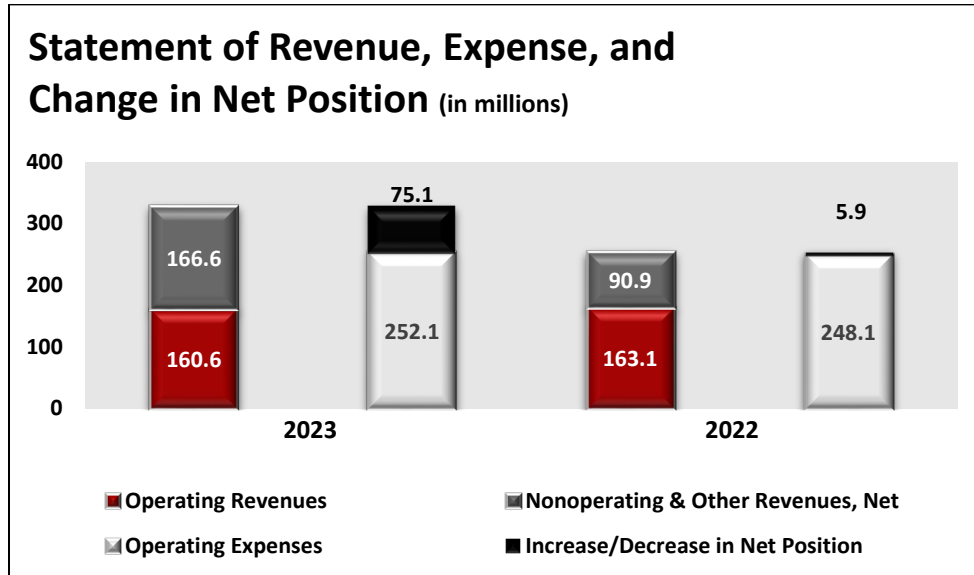
The following discussion and analysis provide an overview of the financial position of Troy University (“TROY” or “the University”) at September 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Troy University, a public institution of higher education with more than 16,000 students headquartered in Troy, Alabama operates four campuses in Alabama along with multiple domestic sites and international locations. TROY has long been a provider of quality undergraduate and graduate learning. Along with being a leader in distance education, TROY Online provides undergraduate and graduate level courses. The University has a strong affiliation with the military which began in Fort Rucker, Alabama in 1950.

### FINANCIAL HIGHLIGHTS

The University’s financial position remains strong with a 35% increase in net position for the fiscal year end September 30, 2023. TROY supplements tuition and fee revenue with state appropriations, private support from various groups and, most importantly, provides a high-quality education at an affordable rate. The University strives to be prudent stewards of financial resources by implementing careful cost controls, conservative utilization of debt, and adherence to a long-range capital plan for the maintenance and renewal of campus facilities. As of September 30, 2023, the University’s total assets & deferred outflows were \$783 million. Net position, which represents the residual interest in the University’s assets and deferred outflows after deducting liabilities and deferred inflows, was \$291 million. The University’s net position increased \$75.1 million in 2023 compared to a \$5.9 million increase in 2022.





### USING THE FINANCIAL STATEMENTS

The University’s financial report includes the following financial statements with related note disclosures:

- The Statement of Net Position
- The Statement of Revenue, Expense and Change in Net Position
- The Statement of Cash Flow

These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require financial statements be presented on a consolidated basis to focus on the University as a whole.

### STATEMENT OF NET POSITION

The statement of net position presents the University’s financial position at the end of each fiscal year and includes all assets, deferred outflows, liabilities and deferred inflows. The difference between total assets and deferred outflows and total liabilities and deferred inflows — net position — is one indicator of current financial condition of the University, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year. Net position, excluding Net Pension and Other Post-Employment Benefits (OPEB) Liability, has grown by more than 162% over the last ten years complemented by the 165% growth in assets & deferred outflows.

A comparison of the University's assets and deferred outflows, liabilities and deferred inflows, and net position as of September 30, 2023 and 2022 is summarized below:

<b>Condensed Statement of Net Position</b>		
<b>(in thousands)</b>	<b>2023</b>	<b>2022</b>
<b>Assets:</b>		
Current Assets	\$ 146,752	\$ 151,729
Noncurrent Assets:		
Capital Assets, Net	351,351	314,379
Other	190,355	156,823
<b>Total Assets</b>	<b>688,458</b>	<b>622,931</b>
Deferred Outflows	94,532	78,760
<b>Total Assets &amp; Deferred Outflows</b>	<b>782,990</b>	<b>701,691</b>
<b>Liabilities:</b>		
Current Liabilities	56,461	54,540
Noncurrent Liabilities	340,570	328,081
<b>Total Liabilities</b>	<b>397,031</b>	<b>382,621</b>
Deferred Inflows	95,406	103,577
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>492,437</b>	<b>486,198</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	220,353	188,315
Restricted - Expendable	33,710	4,824
Restricted - Nonexpendable	-	-
Unrestricted	36,490	22,354
<b>Total Net Position</b>	<b>290,553</b>	<b>215,493</b>

## **CURRENT ASSETS**

Current assets consist of cash and cash equivalents, short-term investments, accounts receivable, deposits with bond trustees, right-to-use assets and prepaid expenses used to support the University's normal operations. Total current assets decreased \$5 million to \$147 million as of September 30, 2023. Current cash and cash equivalents totaled \$113 million in 2023, a decrease of \$7.5 million from the prior year. Cash and cash equivalents typically fluctuate due to the timing of receivable collections, payment of expenditures, and general operating needs. Overall, accounts receivable increased by \$1.6 million to \$31.6 million in 2023. The increase is primarily a result of a \$2.9 million increase in third party receivable and a \$167,000 increase in student receivables (net of allowance) due to timing of payments which is offset by a \$1.6 million decrease in grant and contract receivables. In FY 2023, the university recognizes a \$843,000 in current right-to-use Subscription-Based Information Technology Arrangements (SBITA) asset as discussed in Note 1 – Summary of Significant Accounting Policies due to the implementation of GASB Statement No. 96.

Prepaid expenses, inventory and security deposits remained relatively unchanged collectively.

## **CAPITAL ASSETS**

One of the critical factors in continuing the quality of the University's academic programs is the development and renewal of capital assets. The University continues to implement its long-range plan to modernize its complement of older facilities, along with balanced investment in new construction.

At September 30, 2023, TROY has invested \$351 million in capital assets net of depreciation, representing a \$37 million increase from 2022 to 2023. This increase is primarily due to the construction of Center of Materials & Manufacturing Science, the new Health Science Building and the renovations to Riddle Pace Field. The remainder of capital asset additions primarily represent replacement and renovation of academic, administrative, and athletic facilities, as well as significant investments in equipment, including information technology.

Current year capital asset additions were primarily funded with reserves for renewal and replacement, private support, capital grants and contracts and a supplemental state appropriation.

Construction in progress, which totaled \$44.6 million at September 30, 2023 includes construction and renovation of facilities for instruction and athletics.

## **DEFERRED OUTFLOW OF RESOURCES**

The statement of net position reports a separate section for deferred outflows, which is an addition to assets. Deferred outflows of resources are a consumption of net position applicable to future reporting periods. TROY reports a deferred outflow of resources related to pension and other postemployment benefits (OPEB), both of which are actuarially determined values.

As of September 30, 2023, the University's deferred outflows of resources totaled \$94.5 million, representing a \$15.8 million increase from 2022. The \$94.5 million in deferred outflow consists of \$60 million related to pensions and \$34.5 million related to OPEB.

## **CURRENT LIABILITIES**

Current liabilities consist primarily of accounts payable, accrued compensation, unearned income, and the current portion of the operating lease, bond premium, bonds payable, and compensated absences. As a result of the implementation of GASB No. 96, the university recognized a SBITA payable of \$640,000 in FY 2023. The majority of accounts payable and accrued liabilities represent amounts owed for salaries and wages, benefits, supplies and services. Overall, accounts payable decreased slightly to \$12 million in 2023.

Unearned income typically is composed primarily of tuition and student housing revenues collected in advance for the portion of fall semester which occurs after the fiscal year end. In FY 2023, unearned income increased \$1 million collectively for FY 2023.

## **NONCURRENT LIABILITIES**

The University takes financial stewardship seriously and works hard to manage financial resources effectively through responsible use of debt. Noncurrent liabilities include the long-term portions of operating leases, SBITA payable, bonds payable, bond premium, net unfunded pension liability, net unfunded OPEB liability, and compensated absences.

During fiscal year 2023, bonds payable decreased by \$8.2 million and bond premium decreased by \$1.5 million. This decrease is due to the annual debt service payment which reduced bond principal by \$8.2 million and \$1.5 million of the current portion of bond premium that is the amortization of the net present value savings over the remaining life of the refunded bonds.

Due to the implementation of GASB No. 96, the university recognizes a \$2.1 million increase in SBITA payable and net pension liability increased \$66 million. The increase is offset by a decrease of \$45 million for the net OPEB liability. The increase/decrease is due to the change in the actuarially determined value of for the OPEB liability and the net pension liability.

Total noncurrent liabilities as of September 30, 2023 is \$340.6 million representing an increase of \$12.5 million from 2022.

*The University's outstanding debt obligations are summarized below:*

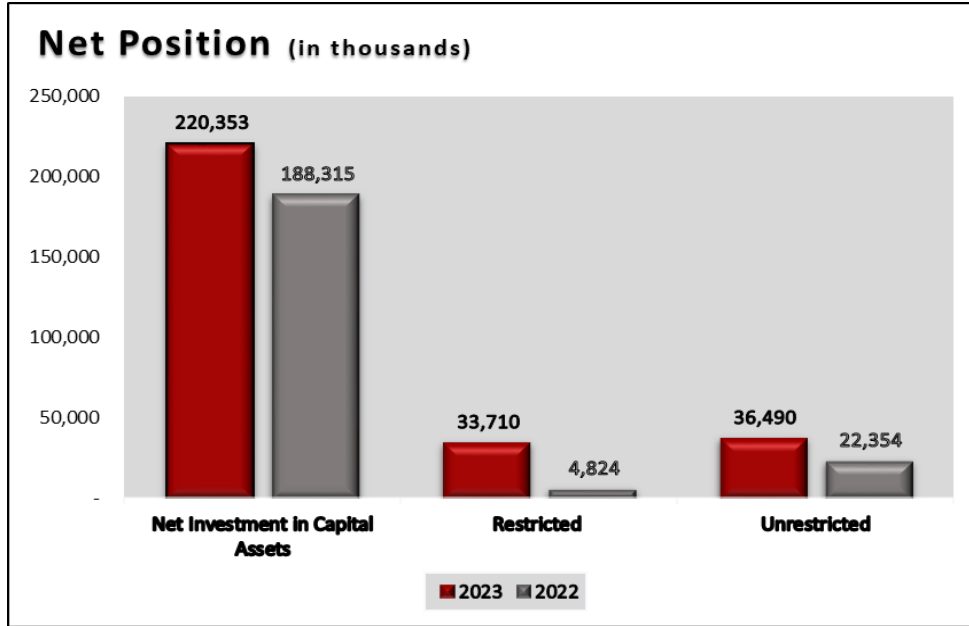
<b>Long-Term Debt Obligations</b>		
<b>(in thousands)</b>	<b>2023</b>	<b>2022</b>
<b>Bonds Payable</b>	136,120	144,330

### **DEFERRED INFLOW OF RESOURCES**

A deferred inflow of resources represents the acquisition of net position in future periods. The University's deferred inflows of resources are composed of lease obligations, pension obligations, and OPEB obligations, both of which are actuarially determined values. In 2023, deferred inflows of resources decreased by \$8.2 million to \$95.4 million. This decrease is a result of a \$28.6 million decrease related to pension obligations, offset by a \$20.4 million increase related to OPEB obligations and \$31,000 increase in leases. As of September 30, 2023, deferred inflow of resources related to pensions totaled \$15.5 million and deferred inflow of resources related to OPEB totaled \$79.7 million.

## NET POSITION

The chart below provides a comparison of net position by category:



Net position represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is divided into three major categories.

The Net Investment in Capital Assets category provides the University's equity in capital assets after accumulated depreciation and capital asset related debt is deducted.

The second category is Restricted Net Position which is divided into expendable and nonexpendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. The primary use of restricted income derived from these investments is scholarships and fellowships. Due to a one-time supplemental appropriation for capital projects, the university has \$30 million in restricted income for capital projects. Expendable restricted net position is available for use by the University 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 last category, Unrestricted Net Position, discloses the net position available to the University for any lawful purpose. The University's unrestricted net position is used for ongoing operations, long-term investment, and deferred maintenance needs. Unrestricted net position is impacted by both pension and OPEB liability and deferred inflows/outflows of resources.

Comparison of the University's net position with Pension and OPEB removed as of September 30, 2023 and 2022 is summarized below:

<b>Summary of Unrestricted Net Position with Pension and OPEB Impact Removed</b>		
<b>(in thousands)</b>	<b>2023</b>	<b>2022</b>
Total unrestricted net position	36,490	22,354
Less: Deferred outflows of resources related to OPEB	(34,535)	(49,917)
Less: Deferred outflows of resources related to pensions	(59,997)	(28,844)
Plus: Net OPEB (asset) liability	15,951	61,260
Plus: Net pension liability	180,287	114,033
Plus: Deferred inflows of resources related to OPEB	79,733	59,327
Plus: Deferred inflows of resources related to pensions	15,511	44,119
<b>Total Unrestricted net position before OPEB (asset) liability, net pension liability, deferred inflows and deferred outflows</b>	<b>233,440</b>	<b>222,332</b>

### **STATEMENT OF REVENUE, EXPENSE AND CHANGE IN NET POSITION**

The statement of revenue, expense and change in net position presents the University's results of operations. Changes in net position are a direct result of the activities presented in this statement. In accordance with GASB reporting principles, both revenue and expense are classified as either operating or nonoperating.

One of TROY's strengths is the diverse stream of revenue which supplements tuition and fee revenue, including private support from foundations and corporations, sponsored programs, state appropriations, investment income, and auxiliary services. TROY's tuition rates remain competitive with peer institutions, demonstrating the ongoing commitment to provide high quality higher education at an affordable price. In addition to revenue diversification, TROY continues to make cost containment an ongoing priority. This is necessary as the University continues to face significant financial pressures; particularly in the areas of compensation, employee benefits, energy, technology and ongoing maintenance of facilities and infrastructure. Scholarships continue to be a significant commitment of the University as we focus efforts on the recruitment and retention of students.

A condensed statement of revenue, expense, and change in net position for the two most recent fiscal years is shown in the following table:

<b>Condensed Statement of Revenue, Expense and Change in Net Position</b>				
<b>(in thousands)</b>	<b>2023</b>		<b>2022</b>	
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$	103,271	\$	110,075
Grants and Contracts		30,569		26,482
Auxiliary Sales and Service, Net		15,480		15,414
Other		11,263		11,099
<b>Total Operating Revenues</b>		<b>160,583</b>		<b>163,070</b>
Operating Expenses		252,084		248,098
<b>Operating Loss</b>		<b>(91,501)</b>		<b>(85,028)</b>
Non-operating Revenues (Expenses) and Other Changes in Net Position		166,561		90,884
<b>Increase in Net Position</b>		<b>75,060</b>		<b>5,856</b>
Net Position:				
Beginning of Year		215,493		209,637
<b>End of Year</b>		<b>290,553</b>		<b>215,493</b>

### **Revenue**

Operating revenue represents resources generated by TROY's instruction, research, student, and public service operations. The major components of operating revenue are tuition and fees (net of scholarship allowance), grants and contracts, sales and service of educational departments, and auxiliary services. Total operating revenue for FY 2023 is \$161 million, representing a decrease of \$2.5 million over FY 2022.

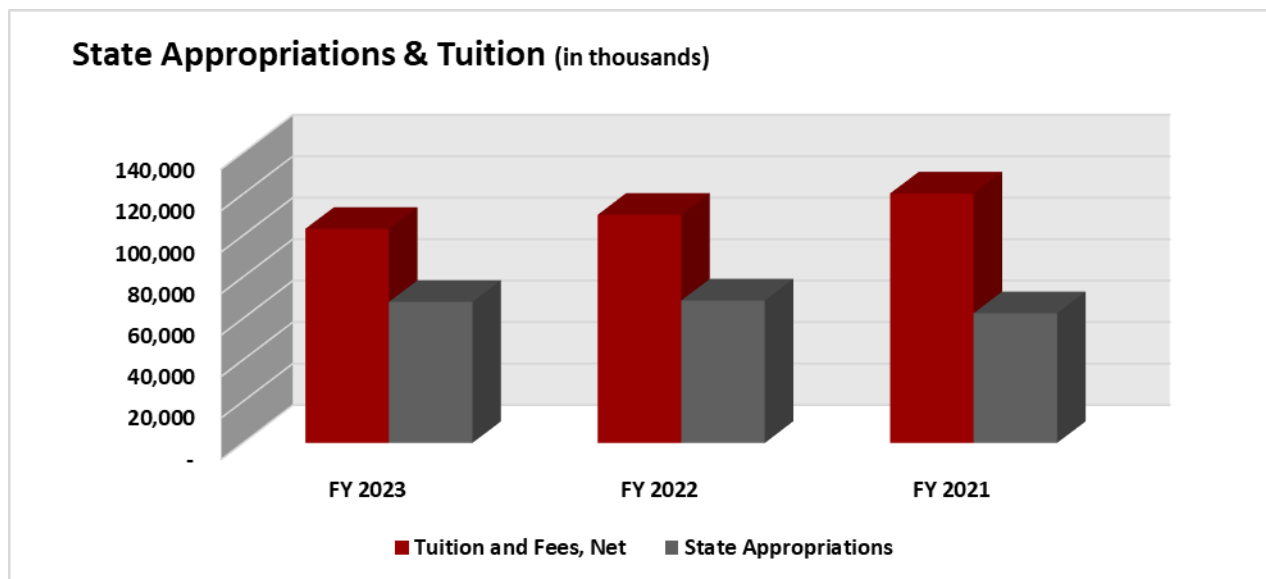
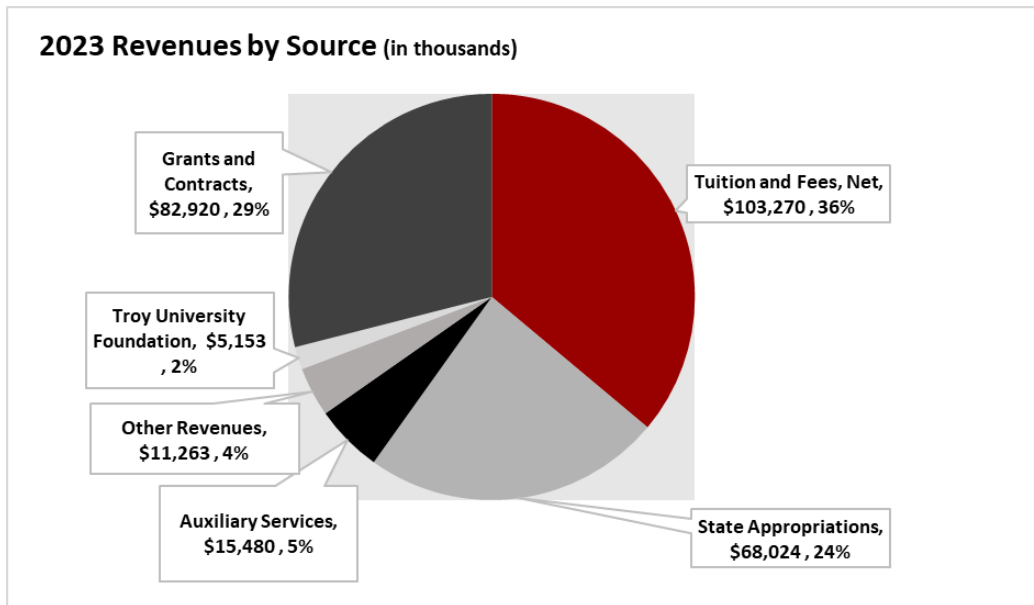
Net tuition and fee revenue decreased by \$6.8 million to \$103 million in FY 2023. Grants and Contracts increased by \$4 million while revenues for sales and service of educational departments and auxiliary services remain relatively unchanged from FY 2022. Overall the university continues to show a decline in enrollment due primarily from the decrease in number of high school graduates entering college.

State appropriations, investment income, and noncapital gifts and grants are classified as nonoperating revenue due to the fact that they are not generated by ongoing University operations. The classification of these revenue sources as nonoperating typically create an operating loss, because nonoperating revenue such as Pell grants, and state appropriations cover expenses incurred in the operating category. For this reason, nonoperating revenue sources are critical to the University's financial stability and directly impact the quality of its programs.

In fiscal year 2023, collectively the university recognized \$101.6 million in state appropriations. Of this amount, \$68 million is for O & M and \$33.6 million is a supplemental appropriation for capital projects. TROY is expecting to receive \$74 million in state appropriations for FY 2024. Collectively, nonoperating revenues for 2023 increased by \$19 million to \$100 million primarily due to an increase of \$38.6 million in investment income compared to 2022 and a decrease of \$17 million in federal COVID-19 funding due to closing out of federal COVID-19 funding. Federal Pell grants increased slightly to \$23.3 million.

Tuition and fees (net) and O & M state appropriations are the primary sources of funding for the University’s academic programs. As a result, there is a direct relationship between the level of state support and the University’s ability to control tuition and fee increases.

*Below is an illustration of revenues by source for the fiscal year ended September 30, 2023:*



## Expenses

The University continues to make cost containment an ongoing priority as the University continues to face significant financial pressures and rising inflation.

The University's total operating expenses increased \$4 million to \$252 million for 2023. Primarily this increase is due to an increase of \$5 million in the overall change in the actuarially determined obligations for pension and OPEB for the fiscal year which flow through the benefit expense category across functional expense lines also contributed significantly to the decrease of operating expense.

*Details of operating expenses by functional classifications are as follows:*

<b>Operating Expenses by Functional Classification</b>				
<b>(in thousands)</b>	<b>2023</b>		<b>2022</b>	
Instruction	\$	72,431	\$	64,717
Research		2,169		1,424
Public Service		24,402		20,198
Academic Support		17,878		16,147
Student Services		38,130		34,600
Institutional Support		27,033		33,534
Operation & Maintenance of Plant		20,319		20,104
Depreciation		14,344		14,131
Scholarships & Fellowships, Net		25,984		34,558
Auxiliary Enterprises		9,394		8,685
<b>Total</b>		<b>252,084</b>		<b>248,098</b>

Operating expense by natural classification demonstrates the University's commitment to recruiting and retaining outstanding faculty and staff as compensation and benefits represent the largest expense category. The increase in compensation and benefits for 2023 is primarily due to the change in the actuarially determined pension and OPEB obligations which run through the benefit expense category. When eliminating the pension and OPEB obligations, the university had an overall increase of \$5 million in compensation and benefits. Health care and retirement benefits continue to be the most significant benefits paid by the university. In other expense categories, the majority of the increase in supplies and services is from athletic events and an increase in operation and maintenance of plant during fiscal year 2023. The decrease in scholarships and fellowships (net) is a reduction in the federal student aid provided as emergency aid to students with exceptional financial need due to costs that students received in 2022.

Details of operating expenses by natural classifications are as follows:

<b>Operating Expenses by Natural Classification</b>				
<b>(in thousands)</b>	<b>2023</b>		<b>2022</b>	
Compensation and Benefits	\$	136,686	\$	126,223
Supplies and Services		75,070		73,186
Depreciation		14,344		14,131
Scholarships and Fellowships, Net		25,984		34,558
<b>Total</b>		<b>252,084</b>		<b>248,098</b>

## STATEMENT OF CASH FLOW

The statement of cash flow provides additional information about the University's financial results by reporting the major sources and uses of cash.

Cash received from operations primarily consists of student tuition and fees, grants and contracts, and auxiliary services. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations and federal student aid. Cash and cash equivalents decreased \$4.8 million to \$133 million in 2023.

Net cash used in operating activities decreased \$3.6 million primarily due to overall decrease in cash collected for operating revenues and an increase in cash paid for operating expenses compared to fiscal year 2022.

Net cash provided by non-capital financing activities decreased \$20.5 million primarily due to a decrease in federal grants related to COVID-19 in 2022.

Net cash used in capital and related financing activities increased by \$27.5 million from fiscal year 2022 to fiscal year 2023 due a supplemental state appropriation for capital projects.

Net cash used in investing activities decreased from 2022 to 2023 by \$30 million due to current year returns.

*A comparative summary of the statements of cash flow for the years ended September 30, 2023 and 2022 is shown below:*

<b>Condensed Statement of Cash Flow</b>				
<b>(in thousands)</b>	<b>2023</b>		<b>2022</b>	
Cash provided by (used in):				
Net Cash Used in Operating Activities		(80,559)		(76,962)
Net Cash Provided by Non-Capital Financing Activities		95,200		115,678
Net Cash Used in Capital and Related Financing Activities		10,761		(16,741)
Net Cash Used in Investing Activities		(30,248)		1,582
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(4,846)</b>		<b>23,557</b>
Cash and Cash Equivalents, Beginning of Year		137,710		114,153
<b>Cash and Cash Equivalents, End of Year</b>		<b>132,864</b>		<b>137,710</b>

## **ECONOMIC OUTLOOK**

Like many colleges and universities in the nation, Troy University has encountered challenges due to the decreasing number of high school graduates entering college. Travel restrictions for international students, a weakened economy, and labor shortages prevailing at every level have also made an impact on the student population. With increasing enrollments and retention as the primary goal, Troy University recognizes providing quality academic programs at an affordable price is essential. Facilitated by increased State appropriations for operations and maintenance in recent years, TROY has proudly maintained one of the lowest undergraduate tuition rates in the state. With the elimination of extra or hidden fees, the “Clear Cost” plan makes it easy for students and their families to comprehend exactly how much they are paying for an education at TROY whether it be in person at one of our campuses or online. Wherever possible, TROY has pledged to keep the student’s debt at a minimum without compromising quality.

Growing infrastructure in support of students and their academic needs will be an ongoing process as we continue to focus on curriculum which correlates to the job market. Keeping classrooms and facilities well maintained, as well as offering the best school security measures, enhances the student’s learning experience and keeps them engaged. Continued enhancement of instructional delivery through technology upgrades will offer students flexible options to pave the way to their degree whether online, in-person, or a combination of both.

Through continued responsible stewardship of resources, TROY is able to continue as a strong and viable institution which serves the people of the State of Alabama and beyond.

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# *Basic Financial Statements*

# *Statement of Net Position*

## *September 30, 2023*

### **ASSETS**

#### **Current Assets**

Cash and Cash Equivalents	\$ 112,572,217.54
Deposit with Bond Trustee	1,812.37
Accounts Receivable, Net	31,615,163.43
Inventories	48,093.20
Security Deposits	25,000.00
Loans Receivable	1,785.22
Leases Receivable	81,032.18
Prepaid Expenses	586,682.88
Right to Use Assets - SBITA	843,410.14
Right to Use Assets - Leases	976,314.66
Total Current Assets	146,751,511.62

#### **Noncurrent Assets**

Cash and Cash Equivalents	20,291,285.07
Deposit with Bond Trustee	17,477,695.94
Investments	147,725,090.81
Loans Receivable	385,215.94
Leases Receivable	69,870.41
Right to Use Asset-SBITA	2,562,558.10
Right to Use Assets - Leases	1,844,037.53
Capital Assets:	
Land	16,653,991.09
Improvements Other Than Buildings	60,075,837.71
Buildings	377,756,694.25
Leasehold Improvements	3,679,086.92
Construction in Progress	44,567,463.75
Equipment and Furniture	27,702,428.49
Museum Exhibits	1,685,956.45
Library Books	22,960,344.69
Less: Accumulated Depreciation	(203,731,010.83)
Total Capital Assets, Net of Depreciation	351,350,792.52
Total Noncurrent Assets	541,706,546.32
Total Assets	688,458,057.94

#### **Deferred Outflows of Resources**

Defined Benefit Pension Plans	59,997,347.60
Other Postemployment Benefit (OPEB)	34,534,919.91
Total Deferred Outflows of Resources	\$ 94,532,267.51

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

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**LIABILITIES****Current Liabilities**

Funds Held for Others	\$ 745,887.03
Accounts Payable and Accrued Liabilities	11,996,739.54
Lease Payable	956,853.44
Unearned Revenue	31,691,622.75
SBITA Payable	642,035.04
Bonds Payable	10,324,564.37
Compensated Absences	103,549.74
Total Current Liabilities	<u>56,461,251.91</u>

**Noncurrent Liabilities**

Funds Held for Others	93,811.00
Lease Payable	1,792,820.43
SBITA Payable	2,101,426.62
Bonds Payable	137,899,369.20
Compensated Absences	2,444,720.92
Net Pension Liability	180,287,000.00
Net OPEB Liability	15,950,898.00
Total Noncurrent Liabilities	<u>340,570,046.17</u>

Total Liabilities

397,031,298.08**Deferred Inflows of Resources**

Defined Benefit Pension Plans	15,511,000.00
Other Postemployment Benefit (OPEB)	79,732,721.00
Related to Leases, Bond and Other	162,721.23
Total Deferred Inflows of Resources	<u>95,406,442.23</u>

**NET POSITION**

Net Investment in Capital Assets	220,353,228.22
Restricted for:	
Expendable:	
Capital Projects	29,955,621.22
Scholarships and Fellowships	353,296.29
Instructional Department Uses	2,759,237.34
Loans	641,671.27
Unrestricted	<u>36,489,530.80</u>
Total Net Position	<u>\$ 290,552,585.14</u>

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***Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2023***

**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$27,633,051.02)	\$ 103,270,418.04
Federal Grants and Contracts	12,842,627.00
State and Local Grants and Contracts	16,479,543.59
Nongovernmental Grants and Contracts	1,247,159.61
Sales and Services of Educational Departments	11,262,938.51
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of \$2,627,402.97)	15,480,070.48
Total Operating Revenues	<u>160,582,757.23</u>

**OPERATING EXPENSES**

Instruction	72,430,648.03
Research	2,168,662.94
Public Service	24,402,243.64
Academic Support	17,877,805.80
Student Services	38,130,421.59
Institutional Support	27,033,056.33
Operation and Maintenance of Plant	20,319,074.62
Scholarships and Financial Aid	25,984,207.29
Depreciation	14,343,985.72
Auxiliary Enterprises	9,394,339.75
Total Operating Expenses	<u>252,084,445.71</u>
Operating Income (Loss)	<u>(91,501,688.48)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	68,023,640.00
Federal Grants and Contracts	23,298,341.00
Investment Income	14,718,219.57
Interest on Capital Asset Related Debt	(4,883,034.25)
Other Nonoperating Revenues/(Expenses)	(1,156,292.91)
Net Nonoperating Revenues	<u>100,000,873.41</u>
Income Before Other Revenues, Expenses, Gains, or Losses	8,499,184.93
Capital Grants and Contracts	29,052,777.81
State Appropriations - Supplemental - Capital	33,546,233.00
Transferred from Troy University Foundation	3,960,918.00
Changes in Net Position	<u>75,059,113.74</u>
Total Net Position - Beginning of Year	<u>215,493,471.40</u>
Total Net Position - End of Year	<u>\$ 290,552,585.14</u>

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

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2023***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 101,092,895.61
Federal Grants and Contracts	12,451,250.80
State and Local Grants and Contracts	18,435,116.44
Nongovernmental Grants and Contracts	1,234,768.66
Sales and Services of Educational Departments	11,269,887.53
Auxiliary Enterprise Revenue	15,480,070.48
Payments to Employees	(104,929,539.95)
Payments for Benefits	(32,688,229.52)
Payments to Suppliers	(68,075,020.86)
Utilities	(8,850,025.47)
Payments for Scholarships	(25,980,015.54)
Net Cash Provided (Used) by Operating Activities	<u>(80,558,841.82)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	68,023,640.00
Federal Grants	23,400,436.50
Direct Loan Receipts	68,520,617.72
Direct Loan Disbursements	(68,508,986.44)
Deposit Held for Others	92,915.57
Transfers from Foundation	4,078,430.60
Other Nonoperating Revenue	(407,186.21)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>95,199,867.74</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants and Gifts Received	28,843,677.01
State Appropriations - Supplemental - Capital	33,546,233.00
Purchases of Capital Assets	(53,748,756.63)
Deposits with Trustees	16,296,775.21
Principal Paid on Capital Debt	(8,210,000.00)
Interest Paid on Capital Debt	(5,967,176.82)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 10,760,751.77</u>

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

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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 102,758,555.69
Investment Income (Loss)	14,718,219.57
Purchase of Investments	<u>(147,725,090.81)</u>
Net Cash Provided (Used) by Investing Activities	<u>(30,248,315.55)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,846,537.86)
Cash and Cash Equivalents - Beginning of Year	<u>137,710,040.47</u>
Cash and Cash Equivalents - End of Year	<u><u>132,863,502.61</u></u>

**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	(91,501,688.48)
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**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	14,343,985.72
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
(Increase)/Decrease in Receivables, Net	(1,944,918.73)
(Increase)/Decrease in Right to Use Assets	(2,811,960.62)
(Increase)/Decrease in Prepaid Expenses and Other Assets	(209,962.01)
(Increase)/Decrease in Inventory	7,779.23
(Increase)/Decrease in Deferred Outflows	(15,771,974.51)
Increase/(Decrease) in Accounts Payable	849,922.05
Increase/(Decrease) in Leases Payable	2,173,291.32
Increase/(Decrease) in Unearned Revenue	1,286,820.64
Increase/(Decrease) in Compensated Absences	245,299.42
Increase/(Decrease) in Net Pension and OPEB Liability	20,944,885.00
Increase/(Decrease) in Deferred Inflows	<u>(8,170,320.85)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (80,558,841.82)</u>

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***Consolidated Statement of Financial Position***  
***Troy University Foundation***  
***September 30, 2023***

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**ASSETS**

Cash and Cash Equivalents	\$ 14,050,232
Certificates of Deposit	14,479,302
Accounts Receivable	226,533
Unconditional Promises to Give	1,715,210
Investments	174,973,769
Notes Receivable	6,488,400
Other Assets	1,914,137
Beneficial Interest in Trusts	702,072
Operating Assets, Net	22,496,636
Total Assets	<u>237,046,291</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	1,756,165
Gift Annuity Liabilities	99,829
Deferred Revenue	2,257,352
Escrow Funds Held	199,698
Notes Payable	2,632,265
Funds Held for Others	114,886,867
Total Liabilities	<u>121,832,176</u>

**NET ASSETS**

Without Donor Restrictions	38,648,341
With Donor Restrictions	76,565,774
Total Net Assets	<u>115,214,115</u>
Total Liabilities and Net Assets	<u>\$ 237,046,291</u>

See notes to the consolidated financial statements.

***Consolidated Statement of Activities***  
***Troy University Foundation***  
***For the Year Ended September 30, 2023***

**SUPPORT AND REVENUE**

Public Support - Contributions	\$ 6,518,787
Public Support - Gifts in Kind	927,650
Investment Income (Loss)	7,185,044
Change in Value of Split Interest	
Agreement and Perpetual Trusts	26,636
Lease Income	450,000
Contract Income	1,588,509
Other Income	2,221,044
Transfers from Troy University	1,287,520
<b>TOTAL SUPPORT AND REVENUE (LOSS)</b>	<b><u>20,205,190</u></b>

**EXPENSES**

Program Services:	
Athletics and Other Grants	2,222,737
Scholarships and Professorships	1,581,938
University Support	4,656,940
<b>Total Program Services</b>	<b><u>8,461,615</u></b>
Supporting Services:	
Management and General	1,537,434
Fundraising	314,934
<b>Total Supporting Services</b>	<b><u>1,852,368</u></b>
<b>TOTAL EXPENSES</b>	<b><u>10,313,983</u></b>
Change in Net Assets (*)	9,891,207
Net Assets at Beginning of Year	105,322,908
Net Assets at End of Year	<b><u>115,214,115</u></b>
Change in Net Assets (*)	9,891,207
Without Donor Restrictions	38,648,341
With Donor Restrictions	76,565,774
<b>TOTAL CHANGES IN NET ASSETS</b>	<b><u>\$ 115,214,115</u></b>

See notes to the consolidated financial statements.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Troy University (the “University”) 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 Troy University are described below.

#### **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. Component Unit**

The Troy University Foundation (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. The Foundation’s financial statements are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences. Disclosures relating to significant transactions and balances between the Foundation and the University are included in these notes. Total gift revenue from the Foundation to the University for fiscal year 2023 was \$5,153,438. Complete financial statements for the Foundation can be obtained from the Senior Vice-Chancellor for Finance Affairs and Online Education Office at 241 Adams Administration Building, Troy, Alabama 36082.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of Troy University 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 University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net position are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University. 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 University's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and any short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the University to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### 2. Receivables

Accounts receivable relate to amounts due from students for tuition and fees, federal grants, third party tuition, and auxiliary enterprise sales such as food service and residence halls. The receivables are shown net of allowance for doubtful accounts.

#### 3. Inventories

The inventories are comprised of items held for resale. Inventories are valued using the first in/first out (FIFO) method.

#### 4. Capital Assets

Capital assets 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. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. 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. Depreciation is not allocated to a functional expense category. 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 as projects are constructed. GASB Statement Number 89, *Accounting for Interest Cost Incurred before the end of a Construction Period* requires interest cost incurred before the end of a construction period to be expensed instead of capitalized.

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 being 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 used by the University is the straight-line basis. Equipment items, improvements involving computers/information technology are being depreciated over four years. Vehicles are depreciated over eight years. Buildings, building improvements that involve landscaping items and museum exhibits are depreciated over forty years. Signs and buildings of non-permanent nature are depreciated over twenty years.

Right-to-Use leased assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the asset. All leased assets use the Secured Overnight Financing Rate, "SOFR" as the incremental borrowing rate to calculate the present value of the asset. The lease asset (net) consists of the Right-to-Use asset less the Lease Payable associated with the asset.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The University evaluates impairment in accordance with GASB Statement Number 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the year ended September 30, 2023, no impairments were recorded.

#### **5. Deferred Outflows of Resources**

Deferred outflow of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **6. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds are reported net of applicable premiums and discounts. Bond premiums and discounts are deferred and amortized over the life of the bonds.

#### **7. Compensated Absences**

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows:

All full-time professional employees earn 12 days of sick leave each year with no limit on accumulation and 12 days of annual leave each year with accumulation limited to 20 days.

Classified employees (non-instructional and other bi-weekly payroll employees) earn 12 days of sick leave each year with no limit on accumulation and 10 days of annual leave each year with accumulation limited to 20 days.

Full-time faculty employees earn 12 days of sick leave each year with no limit on accumulation; however, they do not earn annual leave.

#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **9. Unearned Income**

Unearned income is primarily composed of tuition which is prorated to recognize only the amounts earned in each fiscal year.

#### **10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

#### **11. Postemployment Benefits Other Than Pensions (OPEB)**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan members contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **12. 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 and leases, reduced by accumulated depreciation and by outstanding principal balances of debt and lease obligations attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
  
- ◆ **Restricted:**
  - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University’s permanent endowment funds.
  
  - ✓ **Expendable** – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
  
- ◆ **Unrestricted** – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees. Substantially all unrestricted net position is designated for academic programs and initiatives, and capital programs.

#### **13. Federal Financial Assistance Programs**

The University participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **14. Scholarship Allowances and Student Aid**

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student. The University uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

#### **15. Implementation of New Accounting Standard**

In the fiscal year ended September 30, 2023, Troy University adopted GASB Statement Number 96, ***Subscription-Based Information Technology Arrangements*** (SBITA). This statement better meets the information needs of financial statement users by improving accounting and financial reporting for SBITA by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for subscriptions that previously were classified as operating subscriptions. It establishes a single model for SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying asset. Under this statement, the University is required to recognize a SBITA liability and an intangible right-to-use SBITA asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities.

#### **Note 2 – Deposits and Investments**

##### **A. Deposits**

The University's deposits at year-end were held by financial institutions 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, 2023*

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The remaining portion of the University's deposits were held by financial institutions in other states. The total bank balance is categorized as follows:

Amount of funds held by financial institutions participating in the SAFE Program	\$137,966,540.58
Amount insured by the FDIC or collateralized with securities held by the pledging financial institution's trust department in the University's name	1,029,353.85
Total Bank Balance	<u>\$138,995,894.43</u>

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash and demand deposits.

### **B. Investments**

The University's formally adopted investment policy is as follows:

Because of the diverse nature of the funds coming under the management and control of the Board and the corresponding operational needs of the University, the policies and practices hereinafter set forth necessarily separate funds into two investment categories; these are Operational Funds consisting of relatively short-term investments and Funds Held for Investment, consisting of relatively longer-term investments.

The Board's objective for Operational Funds is to maximize investment returns consistent with the liquidity needs of the University and to protect the principal.

The Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education shall be responsible for the direct investment and administration of Operational Funds; however, such investments shall be limited to the following marketable securities:

- A. Direct obligations of the United States of America or obligations unconditionally guaranteed as to the principal and interest by the United States of America.
- B. Obligations of any agency or instrumentality of the United States of America.
- C. Repurchase agreements secured by the U. S. Government and Agency obligations.
- D. Shares in externally managed money-market funds, specifically approved by the Board.
- E. Certificates of deposit with commercial banks secured as required and approved as depositories by the Board.

The maturity range of Operational Funds shall be consistent with liquidity requirements of the funds in this category. However, funds established under certain debt instruments, may be invested in accordance with the applicable criteria.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### *Funds Held for Investment*

The Board's objective for Funds Held for Investment is to emphasize income growth (with safety and consistency) and principal growth at a rate at least equal to inflation. The Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education shall be responsible for the direct investment and administration of long-term assets according to the Funds Held for Investment Policy.

The Funds Held for Investment Policy will allow the University's non-operational funds to be invested to earn a maximum total return that preserves the purchasing power of non-operational funds held for investment while generating an income stream that supports the needs of the University; and to more closely correlate the investment strategy therein with the investment policy of the Troy University Foundation within the constraints of what is allowed by the Code of Alabama. The Funds Held for Investment's real total return will be sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. Such investment strategy includes transferring a portion of the Funds Held for Investment to the Troy University Foundation to be invested in accordance with its investment policy as directed by its Stewardship Committee and approved by its Board of Directors.

In order to facilitate communication and reporting between the University Board of Trustees and the Foundation's Stewardship Committee, a member of the Board of Trustees shall be appointed to the Foundation Board of Directors as a liaison to the Stewardship Committee and shall serve as a voting director on that committee. The liaison reports to the Board of Trustees the status regarding the University's investment results and reports recommended changes to the investment policy to the Board of Trustees. The University's Funds Held for Investment will be designated by the Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education as benefiting from a longer-term investment strategy and will from time to time transfer Funds Held for Investment from the University's reserve funds to the Foundation for investment and will use the same investment and management criteria as those applicable under the University's Investment Policy.

As of September 30, 2023, the University had the following investments.

Investment Type	Fair Value	1 – 5	6 – 10	11 – 15	16 – 20	No Maturity
Mutual Funds	\$114,178,857.81	\$	\$	\$	\$	\$114,178,857.81
Certificate of Deposit	33,546,233.00	33,546,233.00				
Total	\$147,725,090.81	\$33,546,233.00	\$	\$	\$	\$114,178,857.81

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University does not have a formal investment policy that limits its investments to a particular rating.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The University has no formal policy that limits the amount of securities that can be held by counterparties.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal investment policy which limited investment in any one issuer to less than 5%.

*Foreign Currency Risk* – The risk that changes in exchange rates will adversely affect the fair value of an investment. As of September 30, 2023, the University did not have any investments that is exposed to foreign currency risk.

#### **Fair Value Investments**

GASB Statement Number 72 defines fair value and establishes a framework for measuring fair value. There are three acceptable valuation techniques to determine fair value:

- ◆ *Market Approach*: Uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.
- ◆ *Cost Approach*: Reflects the amount that would be required to replace the present service capacity of an asset.
- ◆ *Income Approach*: Converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Currently, Troy University uses the market approach to measure fair value on investments.

GASB Statement Number 72 also established a three-tiered fair value hierarchy of inputs to valuation techniques used to measure fair value.

Level 1 – Inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, broker markets and principal-to-principal markets.

Level 2 – Inputs are quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. This includes corporate and municipal bonds.

Level 3 – Inputs are unobservable inputs for an asset or liability. Inputs that are derived from historical prices including commercial real estate.

Investments by Fair Value Level	At 09/30/2023	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds – Bonds	\$114,178,857.81	\$114,178,857.81	\$	\$
Certificate of Deposit	33,546,233.00			
Total	<u>\$147,725,090.81</u>	<u>\$114,178,857.81</u>	<u>\$</u>	<u>\$</u>

#### **Bond Funds Held by Bond Trustee**

At September 30, 2023, the University has \$17,479,508.31 in accounts administered by its bond trustee. In accordance with the covenants of the University’s Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

The balance on deposit with the trustee at September 30, 2023, was invested in the trustee’s Treasury Money Market Fund (the “Fund”), an external investment pool. The Fund’s investments consist primarily of U. S. Treasury obligations.

The Fund is consistently rated AAA by Standard & Poor’s.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Fund maintains an average of 60 days or less.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

#### Note 3 – Receivables

Receivables are reported net of uncollectible amounts and are summarized as follows:

<b>Accounts Receivable:</b>	
Federal	\$ 2,695,936.17
State, Local and Other	1,847,210.84
Troy University Foundation	1,264,338.69
Third Party	6,917,711.88
Less: Allowance for Doubtful Accounts	(13,654.16)
<b>Total Accounts Receivable</b>	<b>12,711,543.42</b>
<b>Student Receivables:</b>	
Current	31,804,886.55
Less: Allowance for Doubtful Accounts	(12,901,266.54)
<b>Total Student Receivables</b>	<b>18,903,620.01</b>
<b>Total Receivables</b>	<b>\$ 31,615,163.43</b>

#### Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Reclassification/ Adjustments	Additions	Deductions	Ending Balance
Land	\$ 16,751,245.55	\$	\$	\$ (97,254.46)	\$ 16,653,991.09
Improvement Other than Buildings	58,590,927.00	664,640.30	886,840.00	(66,569.59)	60,075,837.71
Buildings	368,598,805.38	2,967,820.23	7,681,071.72	(1,491,003.08)	377,756,694.25
Leasehold Improvements	3,679,086.92				3,679,086.92
Equipment	26,844,231.08	261,568.15	1,762,728.35	(1,166,099.09)	27,702,428.49
Museum Exhibits	1,685,956.45				1,685,956.45
Construction in Progress	8,476,337.19	(3,898,539.68)	39,989,666.24		44,567,463.75
Library Collections	23,276,304.59		1,748,709.29	(2,064,669.19)	22,960,344.69
<b>Total</b>	<b>507,902,894.16</b>	<b>(4,511.00)</b>	<b>52,069,015.60</b>	<b>(4,885,595.41)</b>	<b>555,081,803.35</b>
<b>Less: Accumulated Depreciation</b>					
Improvements Other than Buildings	16,257,944.49		2,118,071.93	(29,693.42)	18,346,323.00
Buildings	132,414,416.92		8,537,778.13	(925,737.12)	140,026,457.93
Leasehold Improvements	1,029,230.29		94,231.68		1,123,461.97
Equipment	22,800,527.23		1,932,375.34	(1,116,388.98)	23,616,513.59
Museum Exhibits	948,350.51		42,148.91		990,499.42
Library Collections	20,073,044.38		1,619,379.73	(2,064,669.19)	19,627,754.92
<b>Total Accumulated Depreciation</b>	<b>193,523,513.82</b>		<b>14,343,985.72</b>	<b>(4,136,488.71)</b>	<b>203,731,010.83</b>
<b>Capital Assets, Net</b>	<b>\$314,379,380.34</b>	<b>\$ (4,511.00)</b>	<b>\$37,725,029.88</b>	<b>\$ (749,106.70)</b>	<b>\$351,350,792.52</b>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Right-to-use asset activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Right-to-Use Assets:</u>				
Buildings	\$ 2,945,869.76	\$ 433,389.89	\$ (941,202.48)	\$ 2,438,057.17
Equipment	468,490.04	214,801.93	(300,996.95)	382,295.02
Total Right-to-Use Assets	<u>3,414,359.80</u>	<u>648,191.82</u>	<u>(1,242,199.43)</u>	<u>2,820,352.19</u>
Less: Lease Payable	(3,319,844.20)	(648,191.82)	1,218,362.14	(2,749,673.88)
Lease Assets, Net	<u>\$ 94,515.60</u>	<u>\$</u>	<u>\$ (23,837.29)</u>	<u>\$ 70,678.31</u>

Subscription Based Information Technology Arrangements (SBITA) Assets for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Right-to-Use Assets:</u>				
SBITA	\$ 308,225.56	\$ 3,434,617.46	\$(336,874.78)	\$ 3,405,968.24
Total Right-to-Use SBITA	<u>308,225.56</u>	<u>3,434,617.46</u>	<u>(336,874.78)</u>	<u>3,405,968.24</u>
Less: SBITA Payable	(203,012.84)	(3,432,117.46)	891,668.64	(2,743,461.66)
Lease Assets, Net	<u>\$ 105,212.72</u>	<u>\$ 2,500.00</u>	<u>\$ 554,793.86</u>	<u>\$ 662,506.58</u>

Right-to-Use Lease Assets consists of support site building leases, copier leases and other equipment leases. The building leases are for the support site locations and the terms of each agreement vary. The building lease terms range from 24 months to 60 months. The Ricoh contract provides for Print Management, Mail and Copier Fleet Services for Troy University. Copier fleet services include the convenience copier leases that run concurrent with the contract and department leases with 48-month terms that have variable beginning and end dates. The current ten-year contract ends on April 30, 2033.

There are other equipment lease agreements for golf carts, postage meters, dumpsters and lawn mower equipment. The terms of these leases range from 36 to 63 months. The dumpster lease agreement contains an embedded lease for the dumpster "asset," which is estimated to be 20% of the lease amount.

Right-to-Use SBITA Assets consists of subscription-based information technology arrangements. The terms of these arrangements vary from 24 months to 60 months.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 5 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, pursuant to the *Code of Alabama 1975*, Section 16-25-2 (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 the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

##### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Act Number 2012-377, Acts of Alabama, established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

#### **C. Contributions**

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$11,541,347.60 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of \$180,287,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion was 1.160086%, which was a decrease of 0.050415% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized pension expense of \$18,079,000.00. At September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,963,000.00	\$ 4,375,000.00
Changes of assumptions	8,181,000.00	
Net difference between projected and actual earnings on pension plan investments	36,178,000.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	134,000.00	11,136,000.00
Employer contributions subsequent to the measurement date	11,541,347.60	
Total	\$59,997,347.60	\$15,511,000.00

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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The \$11,541,347.60 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2024	\$ 8,459,000.00
2025	\$ 6,678,000.00
2026	\$ 4,402,000.00
2027	\$13,406,000.00
2028	\$ 0.00
Thereafter	\$ 0.00

**E. Actuarial Assumptions**

The total pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Mortality rates for TRS were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages < 69 98% ages > 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
Total	<u>100.00%</u>	

(\*) Includes assumed rate of inflation of 2.00%.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the collective net pension liability calculated using the discount rate of 7.45%, as well as what the University's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of collective net pension liability	\$233,283,000	\$180,287,000	\$135,647,000

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB Statement Number 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 6 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. 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 for the plan. All assets of the Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

##### **B. Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) is fully insured by UHC and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

#### D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2023, the University reported a liability of \$15,950,898.00 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the collective Net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the University's proportion was 0.91543005%, which was a decrease of 0.27021395% from its proportion measured as of September 30, 2021.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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For the year ended September 30, 2023, the University recognized OPEB expense of (\$7,585,940.00), with no special funding situations. At September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 731,572.00	\$32,251,406.00
Changes of assumptions	12,938,357.00	23,217,493.00
Net difference between projected and actual earnings on OPEB plan investments	2,005,977.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	16,923,700.00	24,263,822.00
Employer contributions subsequent to the measurement date	1,935,313.91	
Total	<u>\$34,534,919.91</u>	<u>\$79,732,721.00</u>

The \$1,935,313.91 reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2024	\$(11,985,670.00)
2025	\$(11,258,902.00)
2026	\$ (3,145,153.00)
2027	\$ (4,802,015.00)
2028	\$ (9,535,971.00)
Thereafter	\$ (6,405,404.00)

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75% wage inflation.  
(2) Compounded annually, net of investment expense and includes inflation.  
(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2025.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustment to Rates
Active Members	Teacher Employee – Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages < 69 98% ages > 74 Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2, Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2021.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

(\*) Geometric mean, includes 2.5% inflation.

**F. Discount Rate**

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the PEEHIB for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2023**

**G. Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following table presents the University's proportionate share of the collective Net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare and Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare and Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare and Known Decreasing to 5.50% for Medicare Eligible)
University's Proportionate Share of Collective Net OPEB Liability	\$12,095,599.00	\$15,950,898.00	\$20,679,060.00

**H. Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the collective Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the collective Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's Proportionate Share of Collective Net OPEB Liability	\$19,720,930.00	\$15,950,898.00	\$12,786,069.00

**I. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's Fiduciary Net Position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 7 – Additional Benefit Plans**

##### **A. Supplemental Retirement**

Regular full-time employees are immediately eligible to participate in the supplemental retirement program, the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) or Lincoln National. They are eligible for the matching contributions after one year of full-time service. 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 per participant after meeting a \$200,000.00 individual deductible. Claims are processed and paid by an outside servicer. The accompanying statement of financial position includes a self-insurance liability for health insurance of \$3,227,507 as of September 30, 2023.

##### **C. Life Insurance**

The University provides life insurance for regular full-time employees (including AD&D coverage). Employees hired before September 1, 1991, were given a “buy-out” option and may have opted to forfeit their University policy. The University also provides life insurance coverage for some University retirees. The University pays up to \$0.55 per \$1,000 of the premium for retirees. Premiums that exceed this amount are paid by retirees. The University secured a rate of \$0.45 in 2023 that is effective through July 2026. The amounts remitted in fiscal year 2023 was \$436,435.00.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2023, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 1,587,409.58
Benefits	4,920,019.06
Supplies	2,494,941.04
Sales and Other Taxes	352,704.39
Accrued Interest Payable	2,641,665.47
Total	\$11,996,739.54

#### Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds Payable:</b>					
Revenue Bonds	\$135,345,000.00	\$	\$6,665,000.00	\$128,680,000.00	\$ 7,225,000.00
Revenue Bonds for Direct Placement	8,985,000.00		1,545,000.00	7,440,000.00	1,600,000.00
Bond Premium/(Discount)	13,603,497.94		1,499,564.37	12,103,933.57	1,499,564.37
Total Bonds Payable	157,933,497.94		9,709,564.37	148,223,933.57	10,324,564.37
<b>Other Liabilities:</b>					
Compensated Absences	2,302,971.24	245,299.42		2,548,270.66	103,549.74
Total Long-Term Liabilities	\$160,236,469.18	\$245,299.42	\$9,709,564.37	\$150,772,204.23	\$10,428,114.11

The Revenue Bonds were issued in 2010, 2014, 2015, 2018, 2019 and 2022 by the Board of Trustees to provide funds for construction and renovation of various capital projects.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay annual debt service are pledged to secure the bonds.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Revenue Bonds for Direct Placement		Total
	Principal	Interest	Principal	Interest	
2023-2024	\$ 7,225,000.00	\$ 5,946,768.76	\$1,600,000.00	\$201,392.00	\$ 14,973,160.76
2024-2025	8,235,000.00	5,560,268.76	1,095,000.00	159,833.50	15,050,102.26
2025-2026	8,955,000.00	5,130,518.76	1,130,000.00	126,236.00	15,341,754.76
2026-2027	9,475,000.00	4,705,250.01	1,165,000.00	91,581.50	15,436,831.51
2027-2028	10,020,000.00	4,253,356.26	1,205,000.00	55,794.50	15,534,150.76
2028-2029	8,615,000.00	3,787,481.26	1,245,000.00	18,799.50	13,666,280.76
2029-2030	8,210,000.00	3,376,515.63			11,586,515.63
2030-2031	7,170,000.00	3,010,800.00			10,180,800.00
2031-2032	7,520,000.00	2,660,250.00			10,180,250.00
2032-2033	7,875,000.00	2,304,200.00			10,179,200.00
2033-2034	8,250,000.00	1,930,500.00			10,180,500.00
2034-2035	8,655,000.00	1,524,550.00			10,179,550.00
2035-2036	9,065,000.00	1,114,325.00			10,179,325.00
2036-2037	9,475,000.00	704,362.50			10,179,362.50
2037-2038	9,935,000.00	248,375.00			10,183,375.00
Total	\$128,680,000.00	\$46,257,521.94	\$7,440,000.00	\$653,637.00	\$183,031,158.94

### *Direct Placements*

Revenue Series 2010 and Series 2014 bonds are revenue bonds for direct placement. The resolutions pursuant to which the Series 2010-A, Series 2010-B, 2014-A, and 2014-B Bonds were issued provide that failure of the University to perform any of its agreements or covenants contained therein is an event of default. In the resolutions, the University has covenanted to (i) make timely payment of debt service on the bonds, (ii) fix, levy and collect General Student Fees and Special Student Fees sufficient to make timely payments of debt service on the bonds, (iii) maintain proper books and records and to cause such books and records to be audited annually, (iv) not issue any additional indebtedness under certain prior resolutions that would have a lien on the General Student Fees and Special Student Fees prior to the lien for the benefit of the bonds, and (v) to take such actions as are necessary to maintain the exemption of interest on the bonds for purposes of federal income taxation. Additionally, for Series 2010-A, the University covenants to (vi) maintain ratings on its rated bonds of not less than A- by Standard & Poor's and A3 by Moody's Investors Service for so long as the Series 2010-A Bond is outstanding.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### Pledged Revenues

Troy University has pledged General Student Fees to repay revenue bond series 2010, 2014, 2015, 2018, 2019 and 2022. The bonds were issued for the purpose of providing funds to pay the costs of current refunding of outstanding Revenue Bonds, to pay the costs of developing, constructing and equipping improvements and renovation of capital projects on campus and to pay the costs incurred in connection with the issuance of these bonds.

Details of each bond and its related pledged revenue is as follows:

Series	Issue Date	Purpose of Issuance	Maturity Date	Total Bond Balance Remaining	2023 Principal and Interest Paid	Future Pledged Revenue	2023 Pledged Revenue Received
2022A Series	09/08/2022	Construction for Center for Material and Manufacturing Services Building and Health Sciences Building	11/01/2037	\$31,460,000	\$1,018,081	\$49,174,250	\$102,259,477
2019 Series	12/17/2019	To Refund 2009A, 2009B and 2010B Series Bonds	11/01/2029	\$36,845,000	\$6,432,250	\$43,621,875	\$102,259,477
2018 Series	03/01/2018	Trojan Fitness Center	11/01/2037	\$25,000,000	\$1,152,175	\$38,181,863	\$102,259,477
2015 Series	06/30/2015	To Refund 2006 and 2007 Series Bonds, North End Zone Buildout	11/01/2036	\$35,375,000	\$3,779,094	\$43,959,534	\$102,259,477
2014B Series	05/29/2014	Rushing Hall	11/01/2028	\$ 6,900,000	\$1,248,858	\$ 7,544,619	\$102,259,477
2010A Series	12/14/2010	To refund 1998, 2001, 2003 and 2004 Series Bond Issuances	09/30/2024	\$ 540,000	\$ 546,720	\$ 549,018	\$102,259,477

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 10 – Contractual Contingency**

On March 10, 2020, the University entered into a management agreement with Sodexo Management, Inc. In accordance with this agreement Sodexo will manage and operate the food service for students, faculty, staff, employees, visitors and invited guests for a period of up to ten years commencing on October 1, 2019. Included in the management agreement renewal is the previous investment by Sodexo on May 19, 2017, of \$2,500,000.00 to finance the renovation of University facilities as needed. This contingency is reflected in the financial statements of the University. The unamortized amount as of September 30, 2023, is \$1,185,585.60.

On October 1, 2019, Sodexo provided an additional investment of \$1,900,000.00 to finance the renovation of the University facilities as needed. This contingency is reflected in the financial statements of the University. The unamortized amount as of September 30, 2023, is \$1,140,000.00.

#### **Note 11 – Risk Management**

The University is exposed to various risk 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 property insurance (building and contents) and loss of income coverage through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested based property value, inflation forecast, and period SIF property audits. The University purchases commercial insurance for the following coverage's: automobile, general liability, professional legal liability, international travel, defense base act, property manager's errors and omissions, and crime policy. In addition, the University has fidelity bonds on the University's Chancellor, Senior Vice-Chancellor for Financial Affairs and Online Education, and Controller, as well as other University personnel responsible for 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### Note 12 – Leases

Lease asset activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Lessor:</b>					
Buildings	\$ 118,521.23	\$114,112.35	\$ (81,730.99)	\$ 150,902.59	\$ 81,032.18
Total Lease Receivable	<u>118,521.23</u>	<u>114,112.35</u>	<u>(81,730.99)</u>	<u>150,902.59</u>	<u>81,032.18</u>
<b>Lessee:</b>					
Right-to-Use Buildings	2,945,869.76	433,389.89	(941,202.48)	2,438,057.17	802,131.88
Right-to-Use Equipment	468,490.04	214,801.93	(300,996.95)	382,295.02	174,182.78
Total Right-to-Use Leases	<u>\$3,414,359.80</u>	<u>\$648,191.82</u>	<u>\$(1,242,199.43)</u>	<u>\$2,820,352.19</u>	<u>\$976,314.66</u>

Total lease receivable is facility lease agreements with multiple third-party organizations. Total Right-to-Use assets are for support site building leases and for copier fleet services, postage meter, lawn mower and dumpster leases that have terms of 36 to 63 months.

Lease liability activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Lessor:</b>					
Buildings	\$ 131,170.08	\$114,112.35	\$ (82,561.20)	\$ 162,721.23	\$
Total Deferred Inflow of Resources – Leases	<u>131,170.08</u>	<u>114,112.35</u>	<u>(82,561.20)</u>	<u>162,721.23</u>	
<b>Lessee:</b>					
Buildings	2,851,354.16	433,389.89	(917,365.19)	2,367,378.86	782,670.66
Equipment	468,490.04	214,801.93	(300,996.95)	382,295.02	174,182.78
Total Lease Payable	<u>\$3,319,844.20</u>	<u>\$648,191.82</u>	<u>\$(1,218,362.14)</u>	<u>\$2,749,673.88</u>	<u>\$956,853.44</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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Total deferred inflow of resources - lease are facility lease arrangements with multiple third-party organizations. The term of these leases ranges from 28 months to 120 months. Total operating lease payables consist of copier fleet services, postage meters, dumpsters and lawn mower equipment with terms of 36 to 63 months for these leases.

Fiscal Year	Lease Receivable		Total
	Principal	Interest	
2023-2024	\$ 81,032.18	\$4,487.91	\$ 85,520.09
2024-2025	38,239.99	2,280.05	40,520.04
2025-2026	15,815.21	1,184.90	17,000.11
2026-2027	15,815.21	1,184.90	17,000.11
Total	<u>\$150,902.59</u>	<u>\$9,137.76</u>	<u>\$160,040.35</u>

Fiscal Year	Right-to-Use Building Leases		Total
	Principal	Interest	
2023-2024	\$ 802,131.88	\$22,904.52	\$ 825,036.40
2024-2025	724,310.34	21,327.58	745,637.92
2025-2026	576,606.69	11,297.14	587,903.83
2026-2027	245,972.48	2,698.28	248,670.76
2027-2028	89,035.77	936.58	89,972.35
Total	<u>\$2,438,057.16</u>	<u>\$59,164.10</u>	<u>\$2,497,221.26</u>

Fiscal Year	Right-to-Use Equipment Leases		Total
	Principal	Interest	
2023-2024	\$174,182.78	\$10,276.03	\$184,458.81
2024-2025	108,854.85	8,399.65	117,254.50
2025-2026	75,315.09	6,993.78	82,308.87
2026-2027	23,942.30	2,514.84	26,457.14
Total	<u>\$382,295.02</u>	<u>\$28,184.30</u>	<u>\$410,479.32</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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***Note 13 – Subscription Based Information Technology Arrangements (SBITA)***

SBITA asset activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Right-to-Use Asset SBITA	\$308,225.56	\$3,434,617.46	\$(336,874.78)	\$3,405,968.24	\$843,410.14
Total	\$308,225.56	\$3,434,617.46	\$(336,874.78)	\$3,405,968.24	\$843,410.14

SBITA liability activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
SBITA Payable	\$203,012.84	\$3,432,117.46	\$(891,668.64)	\$2,743,461.66	\$642,035.04
Total	\$203,012.84	\$3,432,117.46	\$(891,668.64)	\$2,743,461.66	\$642,035.04

Principal and interest maturity requirements on SBITA assets are as follows:

Fiscal Year	Right-to-Use SBITA		Total
	Principal	Interest	
2023-2024	\$ 843,410.14	\$ 85,541.67	\$ 928,951.81
2024-2025	750,261.60	79,982.57	830,244.17
2025-2026	723,921.61	77,942.98	801,864.59
2026-2027	621,928.50	69,827.69	691,756.19
2027-2028	466,446.39	52,370.77	518,817.16
Total	\$3,405,968.24	\$365,665.68	\$3,771,633.92

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*Notes to the Financial Statements*  
*For the Year Ended September 30, 2023*

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**Note 14 – Construction Commitment**

During the fiscal year, the University began construction of a new Health Sciences building on the Troy campus which will serve as a state-of-the-art research and training facility in the health education industry. The total cost of the building is \$33 million. The amount remaining to complete construction at year-end was \$17.5 million. Ground was also broken on a new Center for Materials and Manufacturing Sciences building on the Troy campus which will serve as a research facility to enable the University to build partnerships within the polymer and plastics industry. The total cost of the building is \$24 million. The amount remaining to complete construction as of year-end was \$7 million. Funding provided for this construction included Public School and College Authority funds, 666 Bond Commission funds, supplemental state appropriations, 2022 revenue bonds and University reserves. Both buildings are slated to be completed in 2024.

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*Required Supplementary Information*

***Schedule of the University's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability	1.160086%	1.210501%	1.286996%	1.298356%	1.365068%	1.330806%	1.435032%	1.454966%	1.446085%
University's proportionate share of the collective net pension liability	\$ 180,287	\$ 114,033	\$ 159,197	\$ 143,558	\$ 135,723	\$ 130,798	\$ 155,356	\$ 152,272	\$ 131,371
University's covered payroll during the measurement period (*)	\$ 90,605	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252	\$ 91,689	\$ 81,287	\$ 80,539
University's proportionate share of the collective net pension liability as a percentage of its covered payroll	198.98%	125.55%	172.33%	153.50%	146.13%	146.55%	169.44%	187.33%	163.11%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) University's covered payroll during the measurement period is the total covered payroll (see GASB Statement Number 82).  
For fiscal year 2023, the measurement period for covered payroll is October 1, 2021 - September 30, 2022.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the University's Contributions - Pension***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 11,541	\$ 10,784	\$ 10,672	\$ 11,094	\$ 11,250	\$ 10,875	\$ 10,231	\$ 10,771	\$ 10,310
Contributions in relation to the contractually required contribution	\$ 11,541	\$ 10,784	\$ 10,672	\$ 11,094	\$ 11,250	\$ 10,875	\$ 10,231	\$ 10,771	\$ 10,310
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
University's covered payroll	\$ 94,692	\$ 90,605	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252	\$ 91,689	\$ 81,287
Contributions as a percentage of covered payroll	12.19%	11.90%	11.75%	12.01%	12.03%	11.71%	11.46%	11.75%	12.68%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the University's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability  
Alabama Retired Education Employees' Health Care Trust  
For the Year Ended September 30, 2023  
(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018
University's proportion of the collective net OPEB liability	0.915430%	1.185644%	1.179460%	0.811214%	0.979977%	1.148184%
University's proportionate share of the collective net OPEB liability (asset)	\$ 15,951	\$ 61,260	\$ 76,545	\$ 30,605	\$ 80,542	\$ 85,281
University's covered-employee payroll during the measurement period (*)	\$ 90,605	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252
University's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	17.60%	67.45%	82.86%	32.72%	86.72%	95.55%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(\*) Employer's covered-employee payroll during the measurement period is the total covered payroll.  
For fiscal year 2023, the measurement period is October 1, 2021 - September 30, 2022.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the University's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,935	\$ 1,749	\$ 2,049	\$ 2,336	\$ 2,106	\$ 2,406
Contributions in relation to the contractually required contribution	\$ 1,935	\$ 1,749	\$ 2,049	\$ 2,336	\$ 2,106	\$ 2,406
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
University's covered-employee payroll	\$ 94,692	\$ 90,605	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878
Contributions as a percentage of covered-employee payroll	2.04%	1.93%	2.26%	2.53%	2.25%	2.59%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2023***

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**Changes in Actuarial Assumptions**

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

**Recent Plan Changes**

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2023***

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***Method and Assumptions Used in Calculations of Actuarially Determined Contributions***

The actuarially determined contribution rates in the Schedule of the University's Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

(\*) Initial Medicare claims are set based on scheduled increases through plan year 2022.

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*Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>Student Financial Assistance Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007		\$	\$ 845,773.00
Federal Work-Study Program	84.033			713,699.28
Federal Pell Grant Program	84.063			23,298,341.00
Total Federal Direct Student Loans	84.268			68,135,019.00
				92,992,832.28
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Direct Program</u></b>				
Nursing Faculty Loan Program	93.264			111,808.24
Total Student Financial Assistance Cluster				93,104,640.52
<b><u>TRIO Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
TRIO - Student Support Services	84.042			807,387.86
TRIO - Upward Bound	84.047			301,420.50
TRIO - McNair Post-Baccalaureate Achievement	84.217			148,077.75
Total TRIO Cluster				1,256,886.11
<b><u>Special Education Cluster</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Passed Through Alabama State Department of Education</u></b>				
Special Education Grants to States	84.027	U220354		116,028.97
<b><u>WIOA Cluster</u></b>				
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Alabama Department of Commerce</u></b>				
WIOA Adult Program	17.258	N.A.		124,200.53
WIOA Youth Activities	17.259	N.A.		3,880.00
Total WIOA Cluster			\$	\$ 128,080.53

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>Research and Development Cluster</u></b>				
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Passed Through University of Georgia</u></b>				
Sustainable Agriculture Research and Education	10.215	SUB00002298	\$ 41,877.16	\$ 131,497.89
<b><u>Passed Through Forest Service - Southern Research Station</u></b>				
Research Joint Venture and Cost Reimbursable Agreements	10.707	20-JV-11330170-072		25,177.05
<b><u>Passed Through Forest Service - National Forests in Alabama</u></b>				
Partnership Agreements	10.699	19-PA-11080100-276		1,157.52
<b><u>U. S. Department of Commerce</u></b>				
<b><u>Direct Program</u></b>				
Measurement and Engineering Research and Standards	11.609		207,330.27	1,899,294.90
<b><u>U. S. Department of the Interior</u></b>				
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Cooperative Endangered Species Conservation Fund	15.615	N.A.		46,598.31
<b><u>Passed Through Auburn University</u></b>				
State Wildlife Grants	15.634	23-BS-223285-TROY		2,429.84
<b><u>National Science Foundation</u></b>				
<b><u>Direct Program</u></b>				
Engineering	47.041			46,762.30
<b><u>Passed Through Auburn University</u></b>				
STEM Education	47.076	17-COSAM-200634-Troy		53,967.25
STEM Education	47.076	21-COSAM-200840-Troy		22,982.17
Total STEM Education				76,949.42
<b><u>U. S. Environmental Protection Agency</u></b>				
<b><u>Passed Through Escambia County Board of County Commissioners</u></b>				
Geographic Programs - Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component	66.130	N.A.		17,570.63
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Higher Education Institutional Aid	84.031			409,761.82
Child Care Access Means Parents in School	84.335			184,385.26
Total Research and Development Cluster			\$ 249,207.43	\$ 2,841,584.94

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>Other Federal Awards</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Rehabilitation Long-Term Training	84.129		\$	\$ 598,414.26
School Safely National Activities	84.184			71,153.60
<b><u>Passed Through Alabama Department of Rehabilitation Services</u></b>				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	AE3087VC07		2,934,195.40
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	C30870043		33,344.32
<b><u>Passed Through Auburn University</u></b>				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	23-SEDRC-223315-TROY		60,253.71
Total Rehabilitation Services Vocational Rehabilitation Grants to States				3,027,793.43
<b><u>Passed Through Alabama Department of Rehabilitation Services</u></b>				
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177	AE3087VC07		62,526.18
<b><u>Passed Through Alabama State Department of Education</u></b>				
Twenty-First Century Community Learning Centers	84.287	C220425		157,216.99
<b><u>Passed Through Alabama State Department of Education</u></b>				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	U220444 Amendment #1		424,116.00
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	LEA Code 4303-ESSER II, LETRS		1,200.00
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	U230781		6,841.74
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	U230474		63,750.00
Total COVID-19 Elementary and Secondary School Emergency Relief Fund				495,907.74
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Direct Program</u></b>				
Rural Business Development Grant	10.351			52,360.56
<b><u>Passed Through Alabama State Department of Education</u></b>				
Child and Adult Care Food Program	10.558	N.A.		33,135.20
<b><u>Passed Through Natural Resources Conservation Service</u></b>				
Environmental Quality Incentives Program	10.912	NR1833A7XXXXC002		61,218.55
Environmental Quality Incentives Program	10.912	NR184101XXXXC005		1,175.41
Total Environmental Quality Incentives Program			\$	\$ 62,393.96

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Justice</u></b>				
<b><u>Direct Program</u></b>				
Public Safety Partnership and Community Policing Grants	16.710		\$	\$ 174,125.08
<b><u>Passed Through University of Wyoming</u></b>				
Second Chance Act Reentry Initiative	16.812	1005367-TROY		5,520.00
<b><u>U. S. Department of State</u></b>				
<b><u>Passed Through World Learning</u></b>				
Academic Exchange Programs - Undergraduate Programs	19.009	N.A.		49,192.60
<b><u>Passed Through International Research and Exchanges Board</u></b>				
Academic Exchange Programs - Undergraduate Programs	19.009	N.A.		10,199.80
Total Academic Exchange Programs - Undergraduate Programs				<u>59,392.40</u>
Investing in People in the Middle East and North Africa	19.021	FY23-HEP-TU-01		14,683.58
<b><u>U. S. Department of Transportation</u></b>				
<b><u>Passed Through Alabama Department of Transportation</u></b>				
Highway Planning and Construction	20.205	23-00070		3,417.67
<b><u>National Endowment for the Arts</u></b>				
<b><u>Passed Through South Arts</u></b>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N.A.		3,333.00
<b><u>Passed Through Alabama State Council on the Arts</u></b>				
Promotion of the Arts Grants to Organizations and Individuals	45.024	N.A.		10,700.00
Total Promotion of the Arts Grants to Organizations and Individuals			\$	\$ <u>14,033.00</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<b><u>National Endowment for the Humanities</u></b>				
<b><u>Passed Through Alabama Humanities Foundation</u></b>				
Promotion of the Humanities Federal/State Partnership	45.129	1222_2914MN	\$	\$ 2,500.00
Promotion of the Humanities Federal/State Partnership	45.129	1222_2913MN		481.25
Promotion of the Humanities Federal/State Partnership	45.129	0323_2941MJ		3,164.06
Promotion of the Humanities Federal/State Partnership	45.129	1122_2907MN		2,500.00
Promotion of the Humanities Federal/State Partnership	45.129	0922_2894MN		2,069.41
Total Promotion of Humanities Federal/State Partnership				10,714.72
<b><u>U. S. Small Business Administration</u></b>				
<b><u>Direct Program</u></b>				
Growth Accelerator Fund Competition	59.065			315.00
<b><u>Passed Through the University of Alabama</u></b>				
Small Business Development Centers	59.037	A22-0074-S003		32,296.99
Small Business Development Centers	59.037	A23-0076-S003		33,898.92
Total Small Business Development Centers				66,195.91
<b><u>U. S. Environmental Protection Agency</u></b>				
<b><u>Direct Program</u></b>				
Environmental Education Grants Program	66.951			44,797.99
<b><u>Passed Through Alabama Department of Environmental Management</u></b>				
Drinking Water State Revolving Fund	66.468	PCG0405		1,000.00
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Direct Programs</u></b>				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			8,496.47
Public Health Training Centers Program	93.516		\$ 123,793.85 \$	864,696.21

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>Passed Through Alabama Department of Public Health</u></b>				
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	GC 21-398	\$	\$ 107,815.63
<b><u>Passed Through Alabama Department of Early Childhood Education</u></b>				
Every Student Succeeds Act/Preschool Development Grants	93.434	N.A.		360,134.94
<b><u>Passed Through Auburn University</u></b>				
Developmental Disabilities Basic Support and Advocacy Grants	93.630	23-SEDRC-223315-TROY		4,000.00
<b><u>Passed Through Alabama Department of Human Resources</u></b>				
Children's Justice Grants to States	93.643	4132		172,900.60
<b><u>Corporation for National and Community Service</u></b>				
<b><u>Direct Program</u></b>				
AmeriCorps Seniors Retired and Senior Volunteer Program (RSVP)	94.002			132,789.24
Total Expenditures of Federal Awards			\$ 373,001.28	\$ 104,053,151.43

N.A. = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2023***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Troy University, under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Troy University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Troy University.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

Troy University has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2022 through September 30, 2023***

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<b>Board Members</b>	<b>Term Expires</b>
Hon. Kay Ivey, President	Ex-Officio
Hon. C. Gibson Vance, President Pro Tempore	2035
Hon. Edward Crowell, Vice-President Pro Tempore	2033
Hon. Karen E. Carter	2031
Hon. Gerald O. Dial	2027
Hon. Roy H. Drinkard	2035
Hon. John D. Harrison	2031
Hon. Earl V. Johnson	2027
Hon. Forrest S. Latta	2027
Hon. C. Charles Nailen, Jr.	2033
Hon. Allen E. Owen, III	2035
Hon. Cam Ward	2031

**Officials**

Dr. Jack Hawkins, Jr.,  
Chancellor

Dr. James Bookout,  
Senior Vice-Chancellor for Financial Affairs and Online Education

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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***

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 (***Government Auditing Standards***), the financial statements of Troy University, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and related notes to the financial statements, which collectively comprise Troy University's basic financial statements, and have issued our report thereon dated June 5, 2024. Our report includes a reference to other auditors who audited the financial statements of Troy University Foundation as described in our report on Troy University's financial statements. The financial statements of Troy University Foundation were not audited in accordance with ***Government Auditing Standards***, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Troy University Foundation.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Troy University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Troy University's internal control. Accordingly, we do not express an opinion on the effectiveness of Troy University's internal control.

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.

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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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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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Troy University's financial statements are free from 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 financial statements. 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

June 5, 2024

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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance***

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***Independent Auditor's Report***

Dr. Jack Hawkins, Jr., Chancellor – Troy University  
Troy, Alabama 36082

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

We have audited Troy University's, a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of Troy University's major federal programs for the year ended September 30, 2023. Troy University's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of Troy University Foundation were not audited in accordance with *Uniform Guidance*, accordingly, this report does not extend to Troy University Foundation.

In our opinion, Troy University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Troy University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Troy University's compliance with the compliance requirements referred to above.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Troy University's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Troy University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Troy University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Troy University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of Troy University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of Troy University's internal control over compliance. Accordingly, no such opinion is expressed.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *Uniform Guidance* and is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Troy University's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Troy University's response to the noncompliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Troy University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-002 to be a material weakness.

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***Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance Required  
by the Uniform Guidance***

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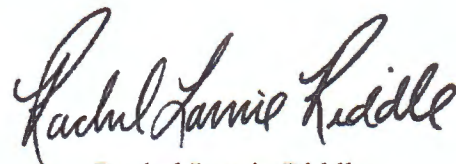
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A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

***Government Auditing Standards*** requires the auditor to perform limited procedures on Troy University's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Troy University's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Troy University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 5, 2024

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

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

**Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

  X   Yes    \_\_\_\_\_ No

Significant deficiency(ies) identified?

  X   Yes    \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

  X   Yes    \_\_\_\_\_ No

***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

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

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.264	Nurse Faculty Loan Program (NFLP)
	<u>TRIO Cluster</u>
84.042	TRIO-Student Support Services
84.047	TRIO-Upward Bound
84.217	TRIO-McNair Post-Baccalaureate Achievement
93.516	Public Health Training Centers Program

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

  X   Yes           No

**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

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**Section III – Federal Awards Findings and Questioned Costs**

**Reference Number:** 2023-001  
**Compliance Requirement:** Special Tests and Provisions  
**Type of Finding:** Compliance and Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

**AL Number(s) and Title(s):** Student Financial Assistance Cluster  
84.063 Federal Pell Grant Program  
84.007 Federal Supplemental Educational Opportunity Program  
84.033 Federal Work Study Program  
84.268 Federal Direct Student Loans  
93.264 Nurse Faculty Loan Program (NFLP)

**Federal Awarding Agency:** U. S. Department of Education  
**Federal Award Number:** P063P221055  
P007A220074  
P033A220074  
P268K231055  
2 E10HP39215-03-00

**Pass-through Entity:** None  
**Pass-through Award Number:** None

**Questioned Costs:** None

**The University failed to properly determine if a return to Title IV was necessary.**

**Finding**

According to 34 CFR 668.22, when a Title IV grant recipient withdraws from an institution during a period in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student, the difference must be returned to the Title IV programs. If the amount of Title IV grant or loan assistance that the student earned is greater than the amount of Title IV grant or loan assistance that was disbursed to the student, the amounts must be treated as a post withdrawal disbursement. Title IV aid is considered 100% earned by the student if 60% of the payment period or period of enrollment has occurred after the student's withdrawal date. Guidance indicates that regardless of when the student withdraws, a return of Title IV funds (R2T4) must be performed if all Title IV grant or loan assistance was not already disbursed prior to the withdrawal. If all aid was disbursed the financial aid administrator can just note in the student's file that no R2T4 calculation is required after the 60 percent point and all aid was disbursed, so there cannot be a post-withdrawal disbursement.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2023*

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In order to test R2T4s, a sample of twenty-five students was selected from a population of 154 student records identified as receiving all F's or total withdrawals during the financial aid award year. The procedures used by the University include performing a R2T4 for students that officially withdraw up to and after the 60% point. Audit tests revealed the University did not calculate a R2T4 for one student in a payment period who was a total withdrawal. The student officially withdrew after the 60% point from four payment periods during the financial aid year, but the University only performed three R2T4 calculations. Although calculations during the audit revealed that the student had earned all of the Title IV aid and no post-withdrawal disbursement was required, the University failed to either perform a R2T4 calculation or note in the student's file that no return or post-withdrawal disbursement was needed.

#### **Recommendation**

The University should develop and consistently follow procedures used to perform Title IV refund calculations for students that withdraw after the 60 percent point that comply with Title 34 of the *Code of Federal Regulations*, Part 668.22.

#### **Views of Responsible Officials of the Auditee**

Management agrees with this finding and will take corrective actions as detailed in the corrective action plan.

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

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**Section III – Federal Awards Findings and Questioned Costs**

**Reference Number:** 2023-002  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Compliance and Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** Nonmaterial Noncompliance

**AL Number(s) and Title(s):** Student Financial Assistance Cluster  
84.063 Federal Pell Grant Program  
84.007 Federal Supplemental Educational Opportunity Program  
84.033 Federal Work Study Program  
84.268 Federal Direct Student Loans  
93.264 Nurse Faculty Loan Program (NFLP)

**Federal Awarding Agency:** U. S. Department of Education  
**Federal Award Number:** P063P221055  
P007A220074  
P033A220074  
P268K231055  
2 E10HP39215-03-00

**Pass-through Entity:** None  
**Pass-through Award Number:** None

**Questioned Costs:** \$14,609.00

**The University failed to verify whether students began attendance in classes prior to disbursing Title IV aid.**

**Finding**

Title 34 of the *Code of Federal Regulations* (CFR) Part 690.80 requires the recalculation of a Federal Pell Grant award to account for changes to the student's costs, expected family contribution (EFC), or enrollment status. For a change in the student's enrollment status from one academic term to another term within the same award year, the institution shall recalculate the Federal Pell Grant award for the new payment period. If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

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## *Schedule of Findings and Questioned Costs*

### *For the Year Ended September 30, 2023*

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Twenty-five students were selected for return to Title IV testing from a population of student records identified by the University as students receiving all F's or total withdrawals for the financial aid award year. Although these students did not require a return to Title IV, it was noted during this test that four students had not begun attendance in all classes or never attended any classes for the term enrolled. Further testing revealed the University failed to properly verify attendance for these students and recalculate the federal financial assistance based on the enrollment or change in enrollment status, as required. Failure to review changes in enrollment status and recalculate awards as required could result in overawards to noneligible recipients and noncompliance in the Title IV programs. These students were awarded \$8,313 in Pell and \$6,296 in Direct Loans which resulted in overawards of these amounts.

#### **Recommendation**

The University should verify whether students begin attendance in registered classes and recalculate Federal Pell Grant and Federal Direct Student Loan awards based on enrollment or change in enrollment status, in accordance with Title 34 of the *Code of Federal Regulations*, Part 690.80.

#### **Views of Responsible Officials of the Auditee**

Management agrees with this finding and will take corrective actions as detailed in the corrective action plan.

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*Auditee Response/Corrective Action Plan*



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## *Response/Corrective Action Plan*

### *For the Year Ended September 30, 2023*

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As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), Troy University prepared and hereby submits the following Corrective Action Plan for the findings included in section three of the Schedule of Findings and Questioned Costs for the year ended September 30, 2023.

#### *Section III – Federal Awards Findings and Questioned Costs*

**Reference Number:** 2023-001  
**Compliance Requirement:** Special Tests and Provisions  
**Type of Finding:** Compliance and Internal Control  
**Internal Control Impact:** Significant Deficiency  
**Compliance Impact:** None

**AL Number(s) and Title(s):** Student Financial Assistance Cluster  
84.063 Federal Pell Grant Program  
84.007 Federal Supplemental Educational Opportunity Program  
84.033 Federal Work Study Program  
84.268 Federal Direct Student Loans  
93.264 Nurse Faculty Loan Program (NFLP)

**Federal Awarding Agency:** U.S. Department of Education  
**Federal Award Number:** P063P221055  
P007A220074  
P033A220074  
P268K231055  
2 E10HP39215-03-00

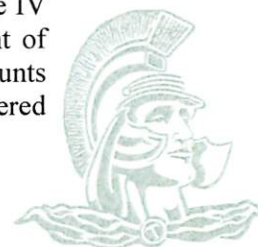
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**Questioned Costs:** None

**The University failed to properly determine if a return to Title IV was necessary.**

#### **Finding**

According to 34 CFR 668.22, when a Title IV grant recipient withdraws from an institution during a period in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance that the student earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student, the difference must be returned to the Title IV programs. If the amount of Title IV grant or loan assistance that the student earned is greater than the amount of Title IV grant or loan assistance that was disbursed to the student, the amounts must be treated as a post withdrawal disbursement. Title IV aid is considered





100% earned by the student if 60% of the payment period or period of enrollment has occurred after the student's withdrawal date. Guidance indicates that regardless of when the student withdraws, a return of Title IV funds (R2T4) must be performed if all Title IV grant or loan assistance was not already disbursed prior to the withdrawal. If all aid was disbursed the financial aid administrator can just note in the student's file that no R2T4 calculation is required after the 60 percent point and all aid was disbursed, so there cannot be a post-withdrawal disbursement.

In order to test R2T4s, a sample of twenty-five students was selected from a population of 154 student records identified as receiving all F's or total withdrawals during the financial aid award year. The procedures used by the University include performing a R2T4 for students that officially withdraw up to and after the 60% point. Audit tests revealed the University did not calculate a R2T4 for one student in a payment period who was a total withdrawal. The student officially withdrew after the 60% point from four payment periods during the financial aid year, but the University only performed three R2T4 calculations. Although calculations during the audit revealed that the student had earned all of the Title IV aid and no post-withdrawal disbursement was required, the University failed to either perform a R2T4 calculation or note in the student's file that no return or post-withdrawal disbursement was needed.

**Recommendation**

The University should develop and consistently follow procedures used to perform Title IV refund calculations for students that withdraw after the 60 percent point that comply with Title 34 of the *Code of Federal Regulations*, Part 668.22.

**Views of Responsible Officials of the Auditee**

Management agrees with this finding and will take corrective actions as detailed below.

**Corrective Action Plan**

The University will consistently follow established procedures used to perform Title IV refund calculations for students who withdraw after the 60 percent point that comply with Title 34 of the *Code of Federal Regulations*, Part 668.22.

**Anticipated Completion Date:**

June 2024

**Contact Person(s):**

Alicia Bookout  
Associate Vice Chancellor, Financial Aid





**Reference Number:** 2023-002  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Compliance and Internal Control  
**Internal Control Impact:** Material Weakness  
**Compliance Impact:** Nonmaterial Noncompliance

**AL Number(s) and Title(s):** Student Financial Assistance Cluster  
84.063 Federal Pell Grant Program  
84.007 Federal Supplemental Educational  
Opportunity Program  
84.033 Federal Work Study Program  
84.268 Federal Direct Student Loans  
93.264 Nurse Faculty Loan Program (NFLP)

**Federal Awarding Agency:** U.S. Department of Education  
**Federal Award Number:** P063P221055  
P007A220074  
P033A220074  
P268K231055  
2 E10HP39215-03-00

**Pass-through Entity:** None  
**Pass-through Award  
Number:** None

**Questioned Costs:** \$14,609.00

**The University failed to verify whether students began attendance in classes prior to disbursing Title IV aid.**

**Finding**

Title 34 of the *Code of Federal Regulations* (CFR) Part 690.80 requires the recalculation of a Federal Pell Grant award to account for changes to the student's costs, expected family contribution (EFC), or enrollment status. For a change in the student's enrollment status from one academic term to another term within the same award year, the institution shall recalculate the Federal Pell Grant award for the new payment period. If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

Twenty-five students were selected for return to Title IV testing from a population of student records identified by the University as students receiving all F's or total withdrawals for the financial aid award year. Although these students did not require a return to Title IV, it was noted during this test that four students had not begun attendance in all classes or never attended any classes for the term enrolled. Further testing revealed the University failed to properly verify attendance for these students and recalculate the federal financial assistance based on the enrollment or change in enrollment status, as required. Failure to review changes in enrollment status and recalculate awards as required could result in overawards to noneligible recipients and



noncompliance in the Title IV programs. These students were awarded \$8,313 in Pell and \$6,296 in Direct Loans which resulted in overawards of these amounts.

**Recommendation**

The University should verify whether students begin attendance in registered classes and recalculate Federal Pell Grant and Federal Direct Student Loan awards based on enrollment or change in enrollment status, in accordance with Title 34 of the *Code of Federal Regulations*, Part 690.80.

**Views of Responsible Officials of the Auditee**

Management agrees with this finding and will take corrective actions as detailed below.

**Corrective Action Plan**

The University will establish processes and policies to pull attendance reports after census date of each term/semester for any students who receive Title IV aid and are identified as non-attendance. We will use this information to recalculate Federal Pell Grant and Federal Direct Student Loan awards based on enrollment or change in enrollment status. At the end of each term/semester, the University will review F/FA grades for any student who receives Title IV aid and will adjust their aid accordingly to comply with Title 34 of the *Code of Federal Regulations*, Part 690.80.


In addition, we are currently reviewing F/FA grades for the 2023-2024 academic year.

**Anticipated Completion Date:**

June 2024

**Contact Person(s):**

Alicia Bookout  
Associate Vice Chancellor, Financial Aid



Dr. Jack Hawkins, Jr., Chancellor  
Troy University

