JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

Warren Averett
CPAs AND ADVISORS

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(A Component Unit of the State of Alabama)
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Warren Averett
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Jacksonville State University

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Jacksonville State University (the University), a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Jacksonville State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of September 30, 2021, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the October 1, 2020 net position has been restated to correct several misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 4 through 11 and the accompanying supplementary information on Pages 61 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2021, is presented for purposes 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. Such 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 financial statements as a whole.

The other additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of the 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 the 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 the University's internal control over financial reporting and compliance.

Warren Averett, LLC

Birmingham, Alabama
April 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provide an overview of the financial position and activities of Jacksonville State University (University) for the years ended September 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes the basic financial statements of the University and the financial statements of Jacksonville State University Foundation (Foundation), a legally separate, nonprofit component unit. The three basic financial statements of the University are: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles (Governmental Accounting Standards Board [GASB] pronouncements). The University is presented as a business-type activity. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and classifies resources into three net position categories – unrestricted, restricted, and net investment in capital assets.

The Foundation is presented as a component unit of the University in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as amended. The Foundation's financial statements include the Statement of Financial Position and the Statement of Activities, and these statements are presented as originally audited according to U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) pronouncements.

The Foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the University. Resources managed by the Foundation and distributions made to the University are governed by the Foundation's Board of Directors (operating independently and separately from the University's Board of Trustees). The component unit status of the Foundation indicates that significant resources are held by the Foundation for the sole benefit of the University. However, the University is not accountable for, nor has ownership of, the Foundation's resources.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows, liabilities and deferred inflows of the University. The net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the financial condition has improved or declined during the year.

Condensed Statements of Net Position ($ in thousands)

	2021	2020 (As Restated)
Assets		
Current assets	$ 92,186	$ 122,673
Capital assets, net	267,656	241,076
Other assets	8,817	8,238
Total assets	368,659	371,987
Deferred outflows of resources		
Deferral on refunding	4,524	4,909
Deferred outflows related to OPEB	22,284	9,133
Deferred outflows related to pensions	26,966	16,473
Total deferred outflows of resources	53,774	30,515
Liabilities		
Current liabilities	73,344	69,097
Non-current liabilities	246,371	223,176
Total liabilities	319,715	292,273
Deferred inflows of resources		
Deferred inflows related to pensions	2,442	3,757
Deferred inflows related to OPEB	31,456	36,249
Total deferred inflows of resources	33,898	40,006
Net position		
Invested in capital, net of debt	160,204	157,418
Restricted - expendable	16,130	16,479
Restricted - non-expendable	963	963
Unrestricted	(108,477)	(104,637)
Total net position	$ 68,820	$ 70,223

Total assets are categorized as either current assets, noncurrent assets or capital assets on the Statement of Net Position. Current assets for September 30, 2021, include approximately $22,895,000 in accounts receivable, net, including approximately $1,921,000 due from the state insurance fund. Noncurrent assets include long-term investments of approximately $7,137,000.

Current assets for September 30, 2020, include approximately $44,449,000 in accounts receivable, net, including approximately $9,360,000 due from the state insurance fund. Noncurrent assets include long-term investments of approximately $6,163,000.

For fiscal year 2021, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately $4,524,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflow of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of approximately $22,284,000. The balance of approximately $26,966,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2020, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately $4,909,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflow of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of approximately $9,133,000. The balance of approximately $16,473,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. Current liabilities are those due or likely to be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll, compensated absences, unearned revenue and other expenses and amounts due in the next year on debt. Noncurrent liabilities are comprised mostly of long-term debt and net pension liability. During fiscal year 2021, total liabilities increased approximately $27,442,000 to a total of approximately $319,715,000. The total liability balance at the end of fiscal year 2020 was approximately $292,273,000.

Total debt outstanding, which includes capital lease obligations, decreased from approximately $120,950,000 at September 30, 2020 to approximately $119,032,000 at September 30, 2021.

For fiscal year 2021, deferred inflow of resources represents pension obligations in the amount of approximately $2,442,000 and for OPEB of approximately $31,456,000.

For fiscal year 2020, deferred inflow of resources represents pension obligations in the amount of approximately $3,757,000 and for OPEB of approximately $36,249,000.

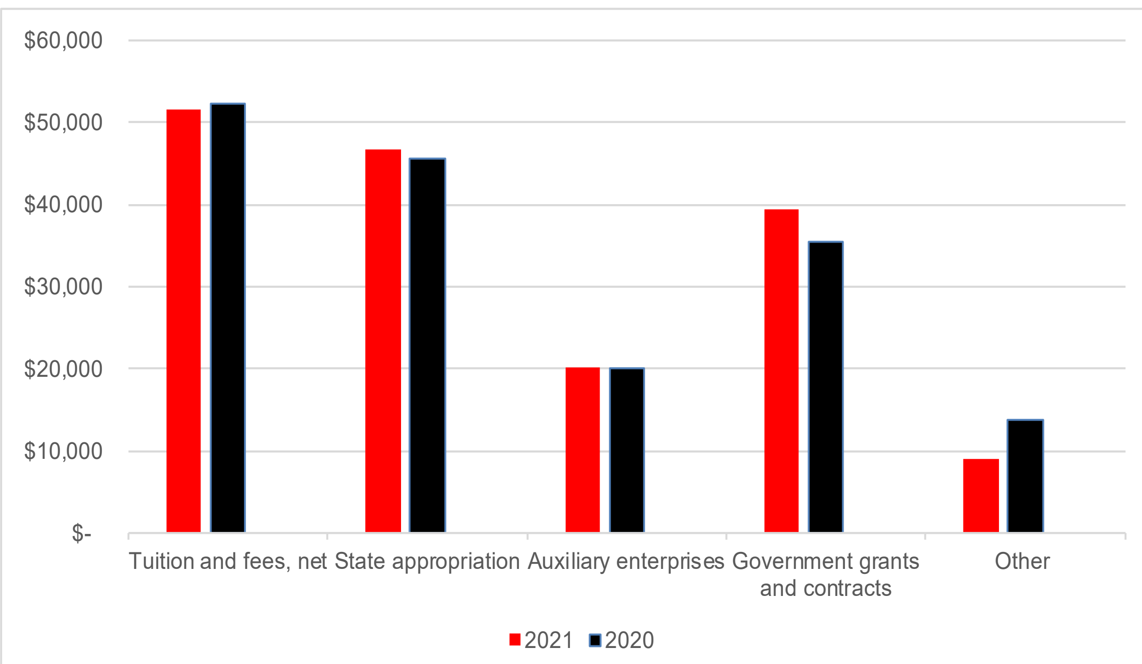
Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of University revenue, such as state appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.

Condensed Statements of Revenues, Expenses and Changes in Net Position ($ in thousands)

	2021	2020 (As Restated)
Operating revenues	$ 101,540	$ 101,313
Operating expenses	(164,496)	(167,159)
Operating losses	(62,956)	(65,846)
Net nonoperating revenues	61,553	63,033
Change in net position	(1,403)	(2,813)
Net position at beginning of year	70,223	73,036
Net position at end of year	$ 68,820	$ 70,223

Operating and Non-operating Revenues by Year ($ in thousands)

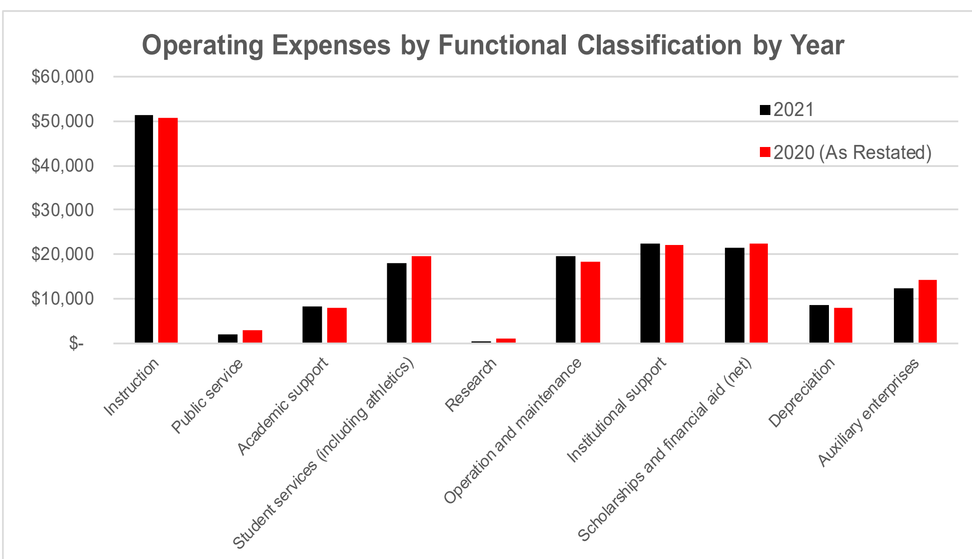


The Statement of Revenues, Expenses and Changes in Net Position for 2021 reflects an overall decrease in net position of approximately $1,403,000. Gross student tuition and fee revenue totaled approximately $89,450,000 in 2021, as compared to approximately $86,977,000 in 2020, an increase of approximately $2,473,000. Grant and contract revenue from government sponsors totaled approximately $39,372,000 for 2021, as compared to approximately $35,507,000 in 2020. State appropriation increased by approximately $1,133,000, or 2.5%, from approximately $45,520,000 in 2020 to approximately $46,653,000 in 2021. Auxiliary revenues increased by approximately $211,000, or 1.1%, from approximately $19,985,000 in 2020 to approximately $20,196,000 in 2021. This increase is primarily attributable to housing and meal plans.

A comparison of operating expenses by functional classification for selected fiscal years follows:

Operating Expenses
Functional Classification ($ in thousands)

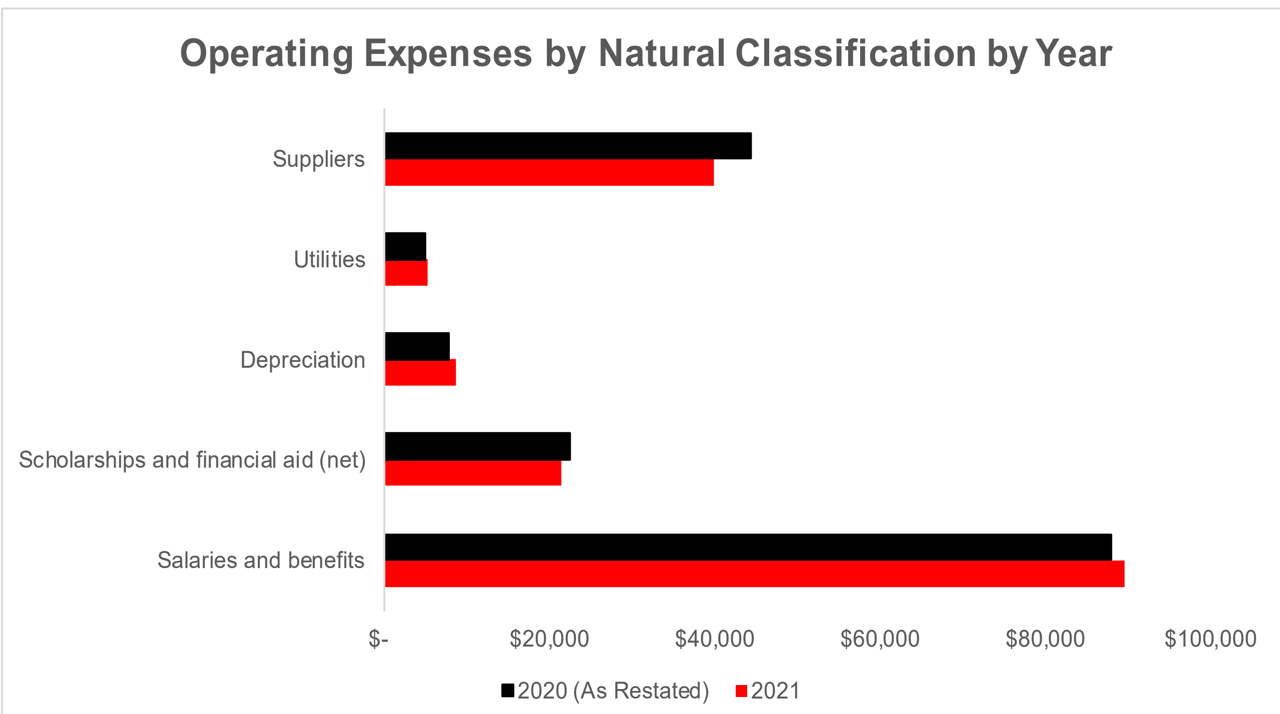
	2021	%	2020 (As Restated)	%
Instruction	$ 51,282	31.2%	$ 50,660	30.3%
Public service	1,929	1.2%	2,990	1.8%
Academic support	8,420	5.1%	7,949	4.8%
Student services (including athletics)	17,971	10.9%	19,649	11.8%
Research	318	0.2%	1,121	0.7%
Operation and maintenance	19,630	11.9%	18,330	11.0%
Institutional support	22,588	13.7%	22,174	13.3%
Scholarships and financial aid (net)	21,435	13.0%	22,344	13.4%
Depreciation	8,545	5.2%	7,818	4.7%
Auxiliary enterprises	12,378	7.5%	14,124	8.4%
Total operating expenses	$ 164,496	100.00%	$ 167,159	100.00%



For fiscal year 2021, total operating expenses decreased by approximately $2,663,000 or 1.6%, primarily due to decreased scholarships and financial aid due to COVID-19 related student aid payments of approximately $909,000, and decreased payments to suppliers of approximately $4,474,000. For fiscal year 2020, total operating expenses totaled approximately $167,159,000.

Operating Expenses
Natural Classification ($ in thousands)

	2021	%	2020 (As Restated)	%
Salaries and benefits	$ 89,580	54.5%	$ 87,860	52.6%
Scholarships and financial aid (net)	21,435	13.0%	22,344	13.4%
Depreciation	8,545	5.2%	7,818	4.7%
Utilities	5,144	3.1%	4,871	2.9%
Suppliers	39,792	24.2%	44,266	26.5%
	$ 164,496	100.0%	$ 167,159	100.0%



A portion of University resources applied to student accounts for tuition, fees or room and board is not reported as student aid expense but is reported in the financial statements as a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Scholarship allowances totaled approximately $37,940,000 in 2021 and approximately $30,677,000 in 2020. In addition to the allowances, students participate in governmental financial aid/loan programs. The loans are neither recorded as revenue nor expense in the financial statements but are recorded in the Statements of Cash Flows as direct lending receipts totaling approximately $45,367,000 and approximately $42,308,000 in 2021 and 2020, respectively.

Condensed Statements of Cash Flows ($ in thousands)

	2021	2020 (As Restated)
Cash provided (used) by:		
Operating activities	$ (33,071)	$ (53,433)
Non-capital financing activities	63,439	57,603
Capital and related financing activities	(39,999)	15,363
Investing activities	214	1,333
Net change in cash	(9,417)	20,866
Cash, beginning of year	68,877	48,011
Cash, end of year	$ 59,460	$ 68,877

During fiscal year 2021, the University's total cash balance decreased by approximately $9,400,000. During fiscal year 2020, the University's total cash balance increased by approximately $20,900,000.

Capital and Debt Activities

Construction in progress at September 30, 2021, totaled approximately $64,334,000 and included the following major projects: Merrill Hall, South Complex, Mason Hall and the Randy Owen Performing Arts Center.

Construction in progress at September 30, 2020, totaled approximately $55,113,000 and included the following major projects: Merrill Hall, South Complex, Mason Hall and Houston Cole Library, which underwent major repairs from damage sustained from an EF-3 tornado.

Debt and Capital Leases

At September 30, 2021, total debt outstanding, including capital leases, totaled approximately $119,032,000. At September 30, 2020, total debt outstanding, including capital leases, totaled approximately $120,950,000.

The University has an "A-" negative outlook credit rating from Standard and Poor's, and an A2 credit rating from Moody's.

The University has traditionally utilized tax-exempt financings to provide for its capital needs or to facilitate systematic renewals. Working capital is available to provide interim cash flow financing for facilities intended to be funded with general revenue bond proceeds or other debt arrangements.

Other Economic and Financial Conditions

The following is a description of currently known facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the University.

OPEB Liability

GASB Statements 74 and 75 require the University to calculate and record a liability for postemployment benefits other than pensions. This calculation uses prescribed assumptions which will significantly impact the total liabilities and net position of the University for FY2021 and beyond.

Tornado Damage and Recovery Effects

On March 19, 2018, the University was hit by an EF-3 tornado damaging approximately 50 buildings and destroying three additional buildings. The affected buildings included campus housing along with academic buildings. The University has insurance to cover most of the damage. On April 26, 2019, the President of the United States declared the areas affected by the tornadoes on March 19th a disaster area. This declaration included all categories of work (listed below):

Category A: Debris Removal
Category B: Emergency Protective Measures
Category C: Roads and Bridges
Category E: Buildings and Contents
Category G: Parks, Recreational Areas and other Facilities
Category Z: Direct Administrative Costs

FEMA Reimbursements

The University has requested and received reimbursement for the cost of debris removal, campus safety and a portion of lighting. The cost of eligible expenses not reimbursed by insurance will be reimbursed by FEMA through the Public Assistance program. For this disaster, expenses for cleanup and repairs are reimbursed by FEMA at 75% with the State of Alabama providing 12.5% of the local match and the University providing the remaining 12.5% of the cost.

FINANCIAL STATEMENTS

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021
CURRENT ASSETS	
Cash and cash equivalents	$ 52,460,057
Restricted cash	7,000,000
Accounts receivable, net of allowance of $2,283,186	22,895,235
Prepaid expenses and unearned scholarships	9,830,939
Total current assets	92,186,231
NONCURRENT ASSETS	
Notes receivable, net of allowance of $522,644	1,678,536
Investments	7,082,345
Investments in real estate	54,637
Land	7,219,739
Capital assets, net of accumulated depreciation of $160,706,868	260,437,527
Total noncurrent assets	276,472,784
Total assets	368,659,015
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to refunding of debt	4,524,138
Deferred outflows of resources related to OPEB	22,283,832
Deferred outflows of resources related to pensions	26,965,735
Total deferred outflows of resources	53,773,705
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 422,432,720

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2021
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 7,341,584
Wages payable	4,805,347
Unearned revenue	38,143,959
Compensated absences, current portion	945,942
Current portion of long-term debt and capital lease	9,160,735
Due to State of Alabama	12,946,640
Total current liabilities	73,344,207
NONCURRENT LIABILITIES	
Compensated absences	1,392,633
Deposits held in custody	1,026,610
Capital lease payable, less current portion	139,774
Long-term debt, less current portion	96,784,423
Net pension liability	101,985,000
OPEB liability	45,042,424
Total noncurrent liabilities	246,370,864
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	31,455,614
Deferred inflows of resources related to pensions	2,442,000
Total deferred inflows of resources	33,897,614
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	353,612,685
NET POSITION	
Net investment in capital assets	160,204,470
Restricted:	
Nonexpendable	962,905
Expendable:	
Scholarships and fellowships	13,561,220
Loans	2,569,054
Unrestricted	(108,477,614)
TOTAL NET POSITION	$ 68,820,035

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT OF JACKSONVILLE STATE UNIVERSITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

	2020
Cash and cash equivalents	$ 4,771,881
Cash-restricted capital interest fund	881,694
Investments	41,699,425
Prepaid insurance	16,240
Promises to give, net	381,322
Charitable remainder trusts, restricted	1,768,871
Receivable from JSUF Real Estate Holding Co., LLC	20,916
Property held for sale	1,000,000
Property and equipment, net	40,580,282
TOTAL ASSETS	$ 91,120,631

LIABILITIES AND NET ASSETS

Accounts payable	$ 858
Refundable advances	2,307,806
Deposits	933,943
Charitable trusts	483,439
Bonds payable	42,164,460
Accrued interest on bonds payable	880,747
TOTAL LIABILITIES	46,771,253
NET ASSETS	
Without donor restrictions	2,372,701
With donor restrictions	41,976,677
Total net assets	44,349,378
TOTAL LIABILITIES AND NET ASSETS	$ 91,120,631

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021
OPERATING REVENUES	
Tuition and fees, net of scholarship allowance of $37,939,782	$ 51,510,319
Federal COVID-19 grants	15,618,970
Other Federal grants and contracts	2,212,116
State and local grants and contracts	4,318,471
Nongovernmental grants and contracts	2,083,934
Sales and services of educational departments	323,718
Athletic income	3,466,465
Other operating revenues	1,810,152
Auxiliary enterprises:	
Residential life	12,542,588
Sales and service	7,653,800
Total operating revenues	101,540,533
OPERATING EXPENSES	
Instruction	51,281,692
Public service	1,928,889
Academic support	8,420,148
Student services, including athletics	17,971,194
Grants to students	11,558,940
Research	318,335
Operation and maintenance	19,630,159
Institutional support	22,587,811
Scholarships and financial aid	9,876,110
Depreciation	8,545,003
Auxiliary enterprises	12,377,828
Total operating expenses	164,496,109
Operating loss	(62,955,576)

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021
NONOPERATING REVENUES (EXPENSES)	
State appropriations	$ 46,652,769
Federal grants	17,222,004
Investment income	1,078,836
Gain on disposal of capital assets	19,009
Rental of facilities	239,929
Interest on debt	(3,659,542)
Net nonoperating revenues (expenses)	61,553,005
Decrease in net position	(1,402,571)
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY STATED	66,574,567
Prior period adjustments	3,648,039
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	70,222,606
NET POSITION AT END OF YEAR	$ 68,820,035

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC.
DISCRETELY PRESENTED COMPONENT UNIT OF JACKSONVILLE STATE UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT			
Contributions	$ 440,132	$ 1,847,805	$ 2,287,937
Net investment return	901	3,155,973	3,156,874
In-kind gifts	1,002,716	816	1,003,532
Other income	40,318	319,523	359,841
Management fee income	309,594	-	309,594
Service fee income	4,045,649	-	4,045,649
Total revenues, gains (losses) and other support before net assets released from restrictions	5,839,310	5,324,117	11,163,427
Net assets released from restrictions	3,626,710	(3,626,710)	-
Total revenues, gains (losses) and other support	9,466,020	1,697,407	11,163,427
OPERATING EXPENSES			
Program services	7,541,633	-	7,541,633
Management and general	633,476	-	633,476
Fundraising	87,552	-	87,552
Total operating expenses	8,262,661	-	8,262,661
CHANGE IN NET ASSETS	1,203,359	1,697,407	2,900,766
NET ASSETS AT BEGINNING OF YEAR	1,169,342	40,279,270	41,448,612
NET ASSETS AT END OF YEAR	$ 2,372,701	$ 41,976,677	$ 44,349,378

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts related to tuition and fees	$ 53,857,254
Receipts related to grants and contracts	34,269,811
Receipts related to sales and services of educational departments	323,718
Receipts related to athletic income	3,466,465
Receipts related to auxiliary enterprises	20,196,388
Other operating receipts	14,035,263
Payments to suppliers and vendors	(57,681,787)
Payments to utilities	(3,726,382)
Payments to employees for services	(82,655,378)
Payments for scholarships and grants	(15,156,679)
Net cash used in operating activities	(33,071,327)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	46,652,769
Federal grants received	15,908,725
Federal direct loan receipts	45,367,240
Federal direct loan disbursements	(44,053,961)
Deposits held in custody	(675,092)
Other nonoperating activities	239,929
Net cash provided by non-capital financing activities	63,439,610
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(1,425,000)
Payments on capital leases	(49,047)
Purchases of capital assets	(35,139,791)
Proceeds from sale of capital assets	32,707
Interest paid on capital debt and leases	(3,417,409)
Net cash used in capital and related financing activities	(39,998,540)

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	$ 104,058
Proceeds from sale and maturity of investments	109,541
Net cash provided by investing activities	213,599
DECREASE IN CASH AND CASH EQUIVALENTS	(9,416,658)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	68,876,715
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 59,460,057
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash and cash equivalents	$ 52,460,057
Restricted cash	7,000,000
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 59,460,057
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (62,955,576)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	8,545,003
Changes in assets, liabilities and deferrals:	
Accounts receivable, net	21,553,444
Prepaid expenses and unearned scholarships	4,201,025
Notes receivable	286,266
Compensated absences	(270,020)
Payables	(11,995,090)
Pension related deferrals and liabilities	4,955,546
OPEB related deferrals and liabilities	(2,431,761)
Change in unearned revenue	5,039,836
Net cash used in operating activities	$ (33,071,327)

See notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jacksonville State University (the University or JSU) 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 University is affiliated with Jacksonville State University Foundation, Inc. (the Foundation), a legally separate, not-for-profit corporation. The Foundation's primary mission is to maximize private gift support for the University while laying the groundwork for future fundraising success in order to aid the University in fulfilling its mission of excellence in education, research and service. The more significant accounting policies of the University and the Foundation are described below.

Reporting Entity
Jacksonville State 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. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Components Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, 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. The Governor appoints Jacksonville State University's Board of Trustees and the Alabama Senate ratifies the appointments. 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, Jacksonville State University is considered, for financial reporting purposes, to be a component unit of the State of Alabama.

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39 and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2021, the University reports the Foundation as a discretely presented component unit. The Foundations follows the Financial Accounting Standards Board (FASB) rather than 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. Significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

The fiscal year of the Foundation is different from that of the University. The fiscal year of the Foundation is December 31, 2020; thus, the component unit is presented in the report on its respective fiscal year. Complete financial statements of the Foundation can be obtained directly from the University's administrative office.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Financial Statement Presentation – University
For financial reporting purposes, the University is considered a special purpose governmental agency engaged only in business-type activities, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis for Public Colleges and Universities*. Accordingly, the University's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 transaction 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.

Net Position
The University presents net position in the following three categories according to external restrictions or availability of assets for satisfaction of University obligations:

Net investment in capital assets – The first category, net investment in capital assets, represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – The University classifies net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

- *Nonexpendable* – Net position subject to externally imposed stipulations that require them to be maintained permanently by the University.

- *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.

Unrestricted – Net position that neither is subject to externally imposed stipulations nor invested in capital assets. Unrestricted net position may be designated for specific purposes by action of management.

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.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting and Financial Statement Presentation – Foundation
The financial statements of the Foundation have been prepared on the accrual basis of accounting which conforms to accounting principles generally accepted in the United States of America (GAAP).

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Revenue Recognition
The University classifies its revenues and expenses as operating or nonoperating in the accompanying statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations.

Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, athletic income and educational departments, and (3) certain federal, state and local grants and contracts that are essentially contracts for services. The University recognizes grant and contract revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as certain gifts and contributions, and other revenue sources such as state appropriations, rental of facilities income and investment income. Nonoperating expenses include capital-related interest on debt.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The University and the Foundation consider cash and cash equivalents as petty cash, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted Cash

Restricted cash consists of cash provided by the University's food services provider which is restricted for capital improvements.

Accounts Receivable and Notes Receivable

Accounts receivable consists primarily of tuition and fees charged to students and amounts due from the federal government, state and local governments, third-party tuition and auxiliary enterprise sales. Notes receivable reflects amounts due from students for institutional loans collected by the University. Accounts receivable is recorded net of an allowance for uncollectible accounts of $2,283,186 at September 30, 2021. Notes receivable is recorded net of an allowance for uncollectible accounts of $522,644 at September 30, 2021.

Prepaid Expenses and Unearned Scholarships

Prepaid expenses and unearned scholarships consists primarily of prepaid costs resulting from the fall academic term spanning across the fiscal year end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year by the academic days.

Investments – University

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 measured at fair value on a recurring basis. The fair value of investments is reported in the statement of net position, with all net realized and unrealized gains and losses reflected in the statement of revenues, expenses and changes in net position. The University employs a custodian to hold, and external investment managers to administer, the majority of its investments, and reflects transactions related to these investments based upon their records.

Investments – Foundation

In accordance with the FASB Accounting Standards Codification (ASC) 958-920, *Not-for-Profit Entities: Investments – Debt and Equity Securities*, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying statement of financial position. Investments in real estate, limited partnerships and alternative investments are stated at fair value. The year-to-year increase or decrease in the value of investments is reflected in the accompanying statement of activities and changes in net assets. Realized gains and losses on the sale of investments are calculated based on the specific identification methods.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Foundation places certain investments with investment managers who invest the funds in an investment pool. The Foundation is the only participant in the pool. Investment income and realized gains and losses on the pooled assets are allocated to the participating funds. Each fund is assigned a percentage of its prorated value to the market value of all assets at the time of entry into or liquidation from the pool.

Assets Held Under Split-Interest Agreements – Foundation

Charitable remainder trust agreements require periodic payment of either the income earned or a fixed percentage of the assets to designated beneficiaries and terminates either at a specific time or upon the death of the designated individual. A liability for each remainder trust, where the Foundation is a trustee, is established and calculated as the present value of future payments to be made to the designated beneficiaries. Upon termination, the remaining assets of the trust are then available for use by the Foundation to be utilized in accordance with the donor's intent. For remainder trusts held by the Foundation, the discount rate was 6% for the year ended December 31, 2020. There were no new trusts established in 2020.

Of the $1,768,871 held in trust by the Foundation at December 31, 2020, $262,500 was used to purchase an investment in land, with income from a ground lease, in 2006. The ground lease has an initial term that commenced on March 1, 2003. Initial minimum payments on the 20-year lease were $1,750 per month from 2003 through 2013, increasing to $2,067 per month beginning in 2014. The present value of the estimated future payments is $57,525 at December 31, 2020.

The following is a schedule by years of future minimum rentals due under the ground lease at December 31, 2020:

2021	$ 24,804
2022	24,804
2023	4,134
Total	$ 53,742

Capital Assets

The University capitalizes all expenditures for equipment, furniture, vehicles of $5,000 or more and an estimated useful life in excess of one year, buildings, building improvements with a unit cost over $100,000 and an estimated useful life in excess of one year, land improvements with a unit cost over $75,000 and an estimated useful life in excess of one year and all library materials. They are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets, such as capitalized software and internally generated computer software, is $1,000,000 and $200,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art, 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, construction in progress and intangible assets with indefinite lives are the only capital assets that are not depreciated.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Depreciation is not allocated to a functional expense category. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Depreciation expense is recorded using the straight-line method and composite method for library materials over the estimated useful lives of the assets. Useful lives by major asset class are as follows:

Buildings	40 years
Improvements other than buildings	5 years
Equipment	4-8 years
Library materials	8 years
Capitalized software	8 years
Internally generated computer software	8 years
Easement and land use rights	20 years
Patents, trademarks and copyrights	20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, that significantly increase values, change capacities or extend useful lives, are capitalized. Upon the sale or retirement of fixed assets being depreciated, 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 University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the year ended September 30, 2021, no impairments were recorded.

The Foundation capitalizes property and equipment at cost at the date of acquisition or fair value at the date of donation, less accumulated depreciation. Depreciation expense is calculated using the straight-line method based on estimated useful lives of buildings and land improvements for 30 years and equipment for 5 – 10 years. Realized gains and losses from the disposal of property and equipment are computed based on proceeds received less the net carrying value of the asset at the time of disposal.

Contributions and Promises to Give – Foundation
Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases those net assets.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or pledges receivable.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In-Kind Gifts
For the Foundation, in-kind gifts are recognized at fair value if the services received (1) create or enhance long-lived assets, or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or capitalized based on the nature of the donation. In-kind gifts for the year ended December 31, 2020, total $1,003,532.

A substantial number of volunteers have donated large amounts of time to the Foundation; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Deferred Outflows and Inflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement section element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of employer contributions to the Teacher's Retirement System of Alabama and the Public Education Employees Health Insurance Plan subsequent to the plans' measurement dates, changes in proportion and differences between employer contributions and proportionate share of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan and the refunding of certain bond amounts.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the proportionate share of the differences between the expected and actual experience related to the pension plan, net difference between projected and actual earnings on pension and OPEB plan investments, changes of assumptions in OPEB plan, changes in proportion and differences between employer contributions and proportionate share of contributions in pension and OPEB plans.

Unearned Revenue
Unearned revenue consists primarily of amounts received for Fall student tuition and fees that are not earned until the next year. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

Long-Term Debt
Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Loan Costs

On the Foundation, the cost associated with obtaining a loan has been capitalized and amortized over the life of the loan on a straight-line basis.

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: staff and department head employees earn eight hours per month of sick leave with no maximum accumulation. Staff and department head employees earn and accumulate annual leave at rates which are shown on the following page.

Years of Employment	Number of Days Each Year	Maximum Days Accumulated
Less than 10 years	12 days	24 days
10 - 20 years	15 days	30 days
More than 20 years	18 days	36 days

Faculty of the University earn eight hours of sick leave for each of the nine months of the contract year and for each month paid for a summer assignment, with no maximum accumulation. Faculty members do not earn annual leave. No liability is recorded for sick leave. Payment is not made to employees for unused sick leave at termination or retirement.

Federal Financial Assistance Programs

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

Student Allowances and Student Financial 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 alternative 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.

Pensions

The Teachers' Retirement System of Alabama (the Plan or TRS) 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 as revenues 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 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.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (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 member 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. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

New Accounting Pronouncements – Yet to be Adopted

In June 2017, GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The University is currently evaluating the impact this statement will have on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to better meet the information need of financial statement users by (1) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs), (2) improving the comparability of financial statements among governments that have entered into SBITAs, and (3) enhancing the understandability, reliability, relevance and consistency of information about SBITAs. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. The University is currently evaluating the impact this statement will have on its financial statements.

Income Taxes

The Internal Revenue Service (IRS) has determined that the University, as an instrumentality of the State of Alabama, is a tax-exempt organization, accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes that all revenue-producing activities of the Foundation comply with 501(c)(3) of the Internal Revenue Code; accordingly, no accrual for income taxes has been made in the accompanying financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Foundation applies guidance issued by the FASB relating to uncertainty in income taxes. This guidance requires entities to assess their tax positions for the likelihood that they would be overturned upon IRS examination or upon examination by state taxing authorities. The Foundation has assessed its tax positions and determined that it does not have any positions at December 31, 2020, that it would be unable to substantiate. Under statute, the Foundation is subject to IRS and state taxing authority review for tax years ended December 31, 2017 through December 31, 2020. The Foundation has filed tax returns through December 31, 2020.

Advertising – Foundation
Advertising costs are expensed as incurred by the Foundation and are included in the functional expense statements. For the year ended December 31, 2020, advertising expenses were $125,103.

Functional Expenses – Foundation
Program services are activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the Foundation exists. Those services are the major purpose for and the major output of the Foundation.

Supporting services are all activities other than program, including management, general and fundraising activities. The allocations have been based on related financial data. The expense allocation methods are reviewed by management and revised when necessary to reflect significant changes in the nature or level of the personnel, the use of space and the consumption of supplies.

Subsequent Events
Management has evaluated subsequent events and their potential effects on these financial statements through April 20, 2022, the date that the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Pursuant to the Security for Alabama Funds Enhancement Act (SAFE), funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer’s office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. At September 30, 2021, the University’s deposits held by financial institutions participating in the SAFE program totaled $62,319,128.

3. INVESTMENTS

University Investments
The investments of the University are invested pursuant to the "Non-endowment Cash Pool Investment Policy" as adopted by the Board of Trustees. The purpose of the non-endowment cash pool policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of the University's operational funds. The University Investment Policy requires that management apply the "prudent person" standard in the context of managing its investment portfolio.

The University is allowed to hold donated investments, such as stocks, mutual funds and real estate in accordance with donor stipulations. These investments are maintained separately from other University investments. Certificates of deposit and commercial paper are measured using cost-based measures as provided by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Fair value measurements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University measures and records its investments using fair value measurement guidelines established by GASB Statement No. 72, *Fair Value Measurement and Application*. These guidelines prioritize the inputs of valuation techniques used to measure fair value, as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2 inputs are inputs other than quoted prices included in Level 1, and that are either directly or indirectly observable for the assets or liabilities. These inputs include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets in which there are few transactions for the asset or liability, the prices are not current or price quotations vary substantially either over time or among markets in which little information is released publicly, (3) inputs other than quoted prices that are observable for the asset or liability, or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the assets or liabilities.

3. INVESTMENTS – CONTINUED

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table summarizes the fair value measurements for all University investment assets carried at fair value as of September 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ 12,500	$ -	$ -	$ 12,500
Money market	19,094	-	-	19,094
Mutual funds	6,855,712	-	-	6,855,712
Stocks	195,039	-	-	195,039
Real estate	-	-	54,637	54,637
Total investments	$ 7,082,345	$ -	$ 54,637	$ 7,136,982

Interest Rate Risk – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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 interest rate risk. At September 30, 2021, the University did not have any investments subject to interest rate risk.

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 specifically addresses its investment choices related to this risk. At September 30, 2021, the University did not have any investments subject to credit risk.

Custodial Credit Risk – For an investment, this is the risk that, in the event of a failure of the counterparty to a transaction, an organization will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The University does not have an investment 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 limiting investments to any one issuer to less than five percent of the University’s total investments. At September 30, 2021, the University had $5,076,137 in mutual funds issued by Ameriprise Financial and $1,288,679 in a Large Cap Value Fund issued by Legg Mason Global Asset Management.

3. INVESTMENTS – CONTINUED

Foundation Investments

The Foundation adopted ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, fair value is defined as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the considerations market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs, other than Level 1, using quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There were no changes in valuation techniques used during the current year. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

3. INVESTMENTS – CONTINUED

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its calculation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market	$ 875,569	$ -	$ -	$ 875,569
Mutual funds	35,172,454	-	-	35,172,454
Government obligations	-	457,809	-	457,809
Mortgage backed securities	-	471,943	-	471,943
Corporate obligations	-	2,211,721	-	2,211,721
Municipal bonds	-	376,422	-	376,422
Common stock	96,454	-	-	96,454
Real estate investment trust	-	68,721	-	68,721
Alternative investments	-	-	1,968,332	1,968,332
Total investments	$ 36,144,477	$ 3,586,616	$ 1,968,332	$ 41,699,425

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

Level 1 Measurements

Mutual Funds: Comprised of pools of funds managed by an investment company that brings together funds from many investors and invests in stocks, bonds or other assets. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access.

Common Stock: Comprised of actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access.

3. INVESTMENTS – CONTINUED

Level 2 Measurements

Government obligations: Comprised of financial debt instruments backed by the U.S. Government including Treasury bonds and bills. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active that the Foundation can access.

Mortgage-backed securities: Comprised of U.S. Government agency securities including the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active that the Foundation can access.

Corporate obligations and municipal bonds: Comprised of debt instruments issued by private corporations and municipalities which contain fixed interest rates and maturity dates. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads that the Foundation can access.

Real estate investment trust: The primary inputs for the valuation include quoted prices for identical or similar assets in markets that are not active.

Level 3 Measurements

Alternative investments: Comprised of private market investments. The primary inputs for the valuation of these investments include prices paid for the securities in prior transactions, contractual cash flows, benchmark yields, appraisals, credit spreads and a discounted cash flow model that is widely accepted in the financial services industry which incorporates the credit quality and industry sector of the issuer.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2020:

Balance at January 1, 2020	$ 2,283,268
Realized gains	89,902
Unrealized loss	(180,041)
Acquisitions	89,120
Sales	(441,583)
Return of capital	127,666
Balance at December 31, 2020	$ 1,968,332

4. RECEIVABLES

University

Receivables are reported net of uncollectible amounts and are summarized as follows at September 30, 2021:

Accounts receivable	
Federal	$ 7,992,981
State	7,582,775
Other	3,659,000
Student accounts receivable	5,943,665
Less allowance for doubtful accounts	(2,283,186)
Total accounts receivable, net	$ 22,895,235
Notes receivable	
Loans	$ 2,201,180
Less allowance for doubtful accounts	(522,644)
Total notes receivable, net	$ 1,678,536
Total receivables, net	$ 24,573,771

During the year ended September 30, 2021, the State of Alabama informed the University that only approximately $1,900,000 of their State Insurance Fund receivable was collectible. As a result, the University had to write down the receivable by approximately $7,400,000.

4. RECEIVABLES – CONTINUED

Foundation

The Foundation's promises to give consist of amounts that are both unconditional and conditional in nature. The Foundation's capital campaign, which is to obtain funding for various scholarships and University departments, raised funds that are generally classified as revenue or support with donor restrictions. Any restrictions on promises to give are based on donor designations. The Foundation had $120,918 in promises to give without donor restrictions and $1,989,595 in promises to give with donor restrictions at December 31, 2020. The discount rate used to calculate net present value at December 31, 2020 was 4.0%.

	December 31, 2020
Receivable in less than one year	$ 1,679,801
Receivable in one to five years	244,991
Receivable in more than five years	185,721
Total unconditional promises to give	2,110,513
Less allowance for doubtful accounts	1,607,834
Less discount to net present value	121,357
Net unconditional promises to give	$ 381,322

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance at October 1, 2020	Additions	Disposals	Transfers	Balance at September 30, 2021
Non-depreciable assets					
Land	$ 7,014,239	$ 205,500	$ -	$ -	$ 7,219,739
Construction in progress	55,113,288	30,365,952	-	(21,145,206)	64,334,034
Depreciable assets					
Buildings	275,648,500	3,013,534	-	20,460,177	299,122,211
Inprovements other than buildings	16,767,378	35,514	-	685,029	17,487,921
Equipment	22,183,079	1,239,850	(1,544,725)	-	21,878,204
Library materials	18,819,323	279,441	(776,739)	-	18,322,025
Total capital assets	395,545,807	35,139,791	(2,321,464)	-	428,364,134
Accumulated depreciation					
Buildings	104,169,566	5,676,827	-	-	109,846,393
Inprovements other than buildings	14,066,518	1,020,564	-	-	15,087,082
Equipment	18,860,354	1,492,444	(1,531,028)	-	18,821,770
Library materials	17,373,193	355,168	(776,738)	-	16,951,623
Total accumulated depreciation	154,469,631	8,545,003	(2,307,766)	-	160,706,868
Total capital assets, net	$ 241,076,176	$ 26,594,788	$ (13,698)	$ -	$ 267,657,266

Depreciation expense for the University for the year ended September 30, 2021 was $8,545,003.

The University is in the process of completing reconstruction and replacement of assets damaged during the March 19, 2018, tornado which impacted the University. Contingent on a FEMA declaration on the building and FEMA commitment for replacement, the University will commit $12,000,000 to replace Wallace Hall.

At December 31, the Foundation's property and equipment consisted of the following:

	2020
Land	$ 132,043
Buildings	43,079,418
Equipment	355,877
	43,567,338
Less accumulated depreciation	2,987,056
Property and equipment, net	$ 40,580,282

Depreciation expense for the Foundation for the year ended December 31, 2020 was $1,539,336.

6. ACCOUNTS PAYABLE, ACCRUED LIABILITIES, AND WAGES PAYABLE

Accounts payable, accrued liabilities, and wages payable represent amounts due at September 30, 2021, for goods and services received prior to year-end of the fiscal year:

Salaries and wages	$ 4,805,347
Benefits	2,456,125
Payroll taxes	1,504,639
Interest payable	1,217,197
Other	2,163,623
Total accounts payable, accrued liabilities and wages payable	$ 12,146,931

7. DUE TO STATE OF ALABAMA

Due to the effects of the March 19, 2018, EF-3 tornado on the University, the State of Alabama issued an interest-free loan on June 26, 2018, in the amount of $5,946,640. During the year ended September 30, 2019, the State of Alabama issued additional loan proceeds in the amount of $7,000,000. No principal payments have been required on this loan through September 30, 2021; thus, the ending loan balance as of September 30, 2021, was $12,946,640. The University may have the opportunity to have this loan forgiven during the fiscal year ending September 30, 2022.

8. LONG-TERM LIABILITIES

The University currently has outstanding 2015, 2016, 2017, and 2020 Tuition and Fee Revenue Bonds issued by the Board of Trustees. The 2015 and 2016 bonds were issued to partially defease the 2009 Revenue Bonds. The 2017 bonds were issued to defease the balance of the 2009 Revenue Bonds and finance construction costs. The 2020 bonds were issued to defease the 2011, 2014, and 2017 bonds, and to finance the costs of repairs and capital improvements.

8. LONG-TERM LIABILITIES – CONTINUED

Long-term liabilities activity (excluding net pension and net OPEB liabilities) for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Current Portion
Bonds:					
Series 2015 Revenue Bonds	$ 8,715,000	$ -	$ (60,000)	$ 8,655,000	$ 60,000
Series 2016 Revenue Bonds	8,935,000	-	(60,000)	8,875,000	60,000
Series 2017 Revenue Bonds	28,665,000	-	(1,305,000)	27,360,000	1,370,000
Series 2020 Revenue Bonds	45,670,000	-	-	45,670,000	1,275,000
Bond premiums	9,876,671	-	(443,624)	9,433,047	443,624
Total bonds, net	101,861,671	-	(1,868,624)	99,993,047	3,208,624
Other long-term liabilities:					
Compensated absences	2,608,595	921,931	(1,191,951)	2,338,575	945,942
Capital lease obligations	240,932	-	(49,047)	191,885	52,111
Construction loan payable	5,900,000	-	-	5,900,000	5,900,000
Total other long-term liabilities	8,749,527	921,931	(1,240,998)	8,430,460	6,898,053
Total long-term liabilities	$ 110,611,198	$ 921,931	$ (3,109,622)	$ 108,423,507	$ 10,106,677

Capital Lease Obligations – University
From time to time, the University leases certain items of equipment that are classified as capital leases. The University entered into a five-year lease agreement with Canon Financial Services on March 26, 2020. The leased assets are included with equipment in depreciable capital assets with a cost of $268,200, net of accumulated depreciation of $134,100. Amortization of leased assets is included with depreciation expense. Interest on the lease is at 6.08%.

Revenue Bonds – University
For the Revenue Bonds, a trustee holds the deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

The Jacksonville State University Board pledged student tuition and fees to repay $8,950,000 Series 2015 Tuition and Fee Revenue Bonds issued on December 14, 2015, at interest rates ranging from 1.85 to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of $8,000,000. Future revenues in the amount of $11,763,010 at September 30, 2021, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of $51,510,319 were received during the fiscal year ended September 30, 2021, with $400,695, or 0.8% of pledged revenues, being used to pay principal and interest payments during 2021. These bonds are scheduled to mature in fiscal year 2033.

8. LONG-TERM LIABILITIES – CONTINUED

The Jacksonville State University Board pledged student tuition and fees to repay $9,160,000 in Series 2016 Tuition and Fee Revenue Bonds issued on March 17, 2016, at interest rates ranging from 1.3 to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of $8,000,000. Future revenues in the amount of $13,048,450 at September 30, 2021, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of $51,510,319 were received during the fiscal year ended September 30, 2021, with $407,850, or 0.8% of pledged revenues, being used to pay principal and interest payments during 2021. These bonds are scheduled to mature in fiscal year 2035.

The Jacksonville State University Board pledged student tuition and fees to repay $34,880,000 in Series 2017 Tuition and Fee Revenue Bonds issued on January 31, 2017, at interest rates ranging from 2.0 to 5.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of $32,895,000, to finance capital improvements and to pay the costs of issuance. Future revenues in the amount of $40,843,653 at September 30, 2021, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of $51,510,319 were received during the fiscal year ended September 30, 2021, with $2,519,944, or 4.9% of pledged revenues, being used to pay principal and interest payments during 2021. These bonds are scheduled to mature in fiscal year 2039.

The Jacksonville State University Board pledged student tuition and fees to repay $45,670,000 in Series 2020 Tuition and Fee Revenue Bonds issued on August 14, 2020, at interest rates ranging from 3.0 to 5.0% The funds were used to finance the acquisition, construction and installation of capital improvements and to pay the expenses of issuing the Series 2017-A Bond. Future revenues in the amount of $76,209,385 at September 30, 2021, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of $51,510,319 were received during the fiscal year ended September 30, 2021, with $1,356,104 or 3.6% of pledged revenues, being used to pay principal and interest payments during 2021. These bonds are scheduled to mature in fiscal year 2051.

The University's Series 2015, 2016, 2017, and 2020 Revenue Bonds contain a provision that in an event of default, the trustee may take either or all of the following actions: (a) declare the loan due and payable, and (b) exercise any other remedies or rights which it has under any instrument executed in connection with the Revenue Bonds.

Construction Loan Payable – University

On July 11, 2019, the University executed a line of credit agreement with Regions Capital Advantage, Inc. for construction-related activities. The agreement is for a $30,000,000 non-revolving line of credit. The line of credit matures on July 1, 2022, with monthly interest-only payments and the balance due at maturity. Interest is variable based on an applicable rate determined on each interest adjustment date. The balance due as of September 30, 2021, was $5,900,000.

8. LONG-TERM LIABILITIES – CONTINUED

Operating Line of Credit – University

In August 2021, the University executed a $5,000,000 revolving line of credit agreement with Regions Bank for operating activities. The line of credit matures on August 1, 2022, with monthly interest-only payments and the balance due at maturity. Interest is variable based on an applicable rate determined on each interest adjustment date. This line of credit was not utilized during the year ended September 30, 2021, and no balance was due as of that date.

Principal and interest maturity requirements on the capital lease and Revenue Bonds are as follows:

	Revenue Bonds			Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2022	$ 2,765,000	$ 3,610,760	$ 6,375,760	$ 52,111	$ 10,222	$ 62,333
2023	2,840,000	3,521,940	6,361,940	55,367	6,967	62,334
2024	2,825,000	3,419,360	6,244,360	58,825	3,508	62,333
2025	2,960,000	3,299,743	6,259,743	25,582	390	25,972
2026	3,110,000	3,166,183	6,276,183	-	-	-
2027-2031	17,140,000	13,650,650	30,790,650	-	-	-
2032-2036	20,430,000	9,857,356	30,287,356	-	-	-
2037-2041	15,460,000	5,869,106	21,329,106	-	-	-
2042-2046	10,365,000	3,602,500	13,967,500	-	-	-
2047-2051	12,665,000	1,306,900	13,971,900	-	-	-
Totals	$ 90,560,000	$ 51,304,498	$ 141,864,498	$ 191,885	$ 21,087	$ 212,972

Bonds Payable – Foundation

On October 31, 2017, the Public Education Building Authority of Jacksonville Foundation issued $42,410,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2017-A and $400,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2017-B. The Foundation, which is considered the borrower of the funds, assumed all the obligations of the bonds. The bonds have varying fixed rates based on maturity dates which range from July 1, 2021, through July 1, 2057. The proceeds of the bonds were to be used for funding of the: 1) costs of issuing the bonds (net $1,083,778), amortization expense for the year ended December 31, 2020, was $49,787, 2) development, construction, furnishing and start-up expenses of a fitness and wellness center, and 3) interest on the bonds from the issuance date through the date the bond obligations are paid.

Interest is payable semi-annually on January 1 and July 1 beginning January 1, 2018, with annual interest rates ranging from 3% to 5%. The bonds were issued at a total premium of $2,162,453 (net at December 31, 2020, totaled $1,973,238) which is being amortized over the term of the bonds. Amortization expense for the year ended December 31, 2020, was $102,401.

8. LONG-TERM LIABILITIES – CONTINUED

The University provides the cash flow necessary to service the bonds through a service agreement with the Foundation. These fees paid under this agreement are sufficient to service the debt, operating expenses and reserve requirements of the project. Termination of the services agreement triggers a termination fee to be paid by the University in an amount equal to the greater of the fair market value of the project or the outstanding principal amount of the bonds plus accrued interest through the date of termination. Bonds are collateralized by Foundation property. The Foundation is in compliance with debt covenants as of December 31, 2020.

Redemptions of bond principal are due each July 1 as follows:

2021	$ 270,000
2022	290,000
2023	320,000
2024	445,000
2025	450,000
Thereafter	39,500,000
Aggregate	$ 41,275,000

For the year ended December 31, 2020, the Foundation expended $1,797,575 in interest.

9. PENSION PLAN

Employees of the University are covered by a cost-sharing, multiple-employer defined benefit pension plan administered by the TRS.

Plan Description

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established on September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 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, Title 16, Chapter 25* 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.

9. PENSION PLAN – CONTINUED

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 ten years of creditable service. TRS members who retire after age 60 with ten years or more of creditable service, or with 25 years of service (regardless of age) 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 three of the last ten years) for each year of service.

Act 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 ten 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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten 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.

Contributions

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

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

Participating employers' contractually required contribution rate for the year ended September 30, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% 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 $7,147,735 for the year ended September 30, 2021.

9. PENSION PLAN – CONTINUED

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

At September 30, 2021, the University reported a liability of $101,985,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the University's proportion was 0.824476%, which was an increase of 0.053718% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the University recognized pension expense of $12,123,734. At September 30, 2021, 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
Difference between expected and actual experience	$ 5,047,000	$ 1,769,000
Change of assumptions	1,061,000	-
Net difference between projected and actual earnings on pension plan investments	7,574,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,136,000	673,000
Employer contributions subsequent to measurement date	7,147,735	-
	$ 26,965,735	$ 2,442,000

A total of $7,147,735, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	
2022	$ 3,920,000
2023	5,408,000
2024	5,021,000
2025	3,027,000

9. PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability as of September 30, 2020, was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected salary increases	3.25-5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense.

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, 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, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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 weighting 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:

	Target Allocation	Long-term Expected Rate of Return*
Fixed Income	17.00%	4.40%
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%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.5%.

9. PENSION PLAN – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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.

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
University's proportionate share of collective net pension liability	$ 136,069,000	$ 101,985,000	$ 73,146,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. 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 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The University offers postemployment health care benefits to all employees who officially retire from the University. Health care benefits are offered through the Public Education Employees' Health Insurance Plan (PEEHIP).

Plan Description

The Alabama Retired Education Employees' Health Care Trust (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 (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the PEEHIP.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) 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 Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board 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 PEEHIP are held in trust for the payment of health insurance benefits. The TRS has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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.

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.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

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 retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, 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. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members 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.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board 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 Board 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 Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25, subject to adjustment by the Board 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.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board 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 Board 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 Board 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 Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage. Total employer contributions to the OPEB plan from the University were $1,153,847 for the year ended September 30, 2021.

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

At September 30, 2021, the University reported a liability of $45,042,424 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the 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, 2020, the University's proportion was 0.694043%, which was a decrease of 0.088651% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the University recognized OPEB expense of ($1,277,914), with no special funding situations. At September 30, 2021, the System 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
Difference between expected and actual experience	$ 1,142,244	$ 16,193,831
Changes of assumptions	15,732,966	8,363,966
Net difference between projected and actual earnings on OPEB plan investments	-	1,899
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,254,775	6,895,918
Employer contributions subsequent to the measurement date	1,153,847	-
	$ 22,283,832	$ 31,455,614

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

A total of $1,153,847, 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, 2022.

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

Year ending September 30,	
2022	$ (3,546,261)
2023	(3,477,648)
2024	(2,336,556)
2025	(2,783,548)
2026	895,128
Thereafter	923,256

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases[1]	3.25% - 5.00%
Long-Term Investment Rate of Return[2]	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024

[1]Includes 3.00% wage inflation.

[2]Compounded annually, net of investment expense, and includes inflation.

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

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for females age 78 and over. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (i.e., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation.

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), are 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.

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:

	Target Allocation	Long-term Expected 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.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate [SEIR], as described by GASB 74) used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board 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. Approximately 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.00%, at which point this amount will increase by 1.00% in subsequent years. 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. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

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

	1% Decrease (5.75% decreasing to 3.75% for pre-Medicare, known decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, known decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, known decreasing to 5.75% for Medicare Eligible)
University's proportionate share of collective net OPEB liability	$ 35,606,183	$ 45,042,424	$ 57,325,204

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Rate (3.05%)	1% Increase (4.05%)
University's proportionate share of collective net OPEB liability	$ 55,246,871	$ 45,042,424	$ 36,937,884

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

11. SUPPLEMENTAL RETIREMENT PROGRAM

Regular full-time employees who have completed two years of continuous service are eligible for an optional supplemental retirement program, Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). The University contributes 1% of gross salary for all eligible employees with an additional match to those employees who opt to contribute 2-4% more to the plan.

Participants become immediately vested and are eligible for distributions upon severance from employment, upon incurring a disability, upon hardship and upon attainment of age 59½. Distributions may be in the form of lump sum payments or through the purchase of an annuity contract. Jacksonville State University contributed $1,561,444 under this plan for the year ended September 30, 2021. At September 30, 2021, the University had payables of $276,417 due to TIAA-CREF, which were included in accounts payable and accrued liabilities on the statement of net position.

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The University's non-tornado related construction project commitments as of September 30, 2021, were estimated at $45,000, consisting primarily of improvements to the Theron Montgomery Building.

As of September 30, 2021, the University had been awarded approximately $20,353,000 in contracts and grants on which performance had not been initiated, nor funds received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS – CONTINUED

On July 17, 2017, the University entered into a services agreement with its component unit, Jacksonville State University Foundation, whereby the Foundation is to provide continuation and development of fitness and wellness programs, continuation and development of intramural sports programs, coordination of fitness and wellness programs, advertisement and promotion of the fitness and wellness center (the Center), including website development, and maintenance and management and staffing of the Center. In exchange for these services, the University has committed to annual fees to be paid to the Foundation through October 31, 2062. The annual fee of $4,060,000 for fiscal year 2021 was paid in equal installments in November of 2020 and March of 2021.

13. COMPONENT UNITS

During the year ended September 30, 2021, the Foundation, a discretely presented component unit of the University, distributed $1,313,118 to the University for both restricted and unrestricted purposes. At September 30, 2021, the University has recorded payables of $1,134,740 due to the Foundation related to the service agreement more fully described in Note 12, and for other services. Due to the difference in the fiscal year of the University and the Foundation, inconsistencies exist in the amounts reported as due to or due from and distributed to or received from the two organizations. The complete audited financial statements of the Foundation can be obtained upon written request to the Foundation.

14. ENDOWMENTS

University Endowments

The University's endowment funds consist of various donor-restricted endowment funds. The endowment funds were established for a variety of purposes, primarily related to funding student scholarships and low-cost loans. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

University endowment net assets as of September 30, 2021, consists of $962,905 of restricted nonexpendable scholarship and fellowship funds and $13,561,220 of restricted expendable scholarship funds. During the year ended September 30, 2021, the endowment's restricted expendable fund increased by earnings of $31,504.

Foundation Endowments

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. The Foundation's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

14. ENDOWMENTS – CONTINUED

The Foundation's Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors has the ability to distribute the original principal of any trust or separate gift, devise, bequest or fund as the Board in its sole discretion shall determine.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed an absolute rate of return equal to the minimum payout obligation, plus all management fees, brokerage and custodial expenses, plus 3% in order to combat the economic impact of long-term inflation. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation that places an emphasis on U.S. Treasury securities, high quality corporate and municipal bonds and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for grant making and administration. The current spending policy is to distribute an amount equal to 4% of the average quarterly total balance for the previous twelve quarters at year end (December 31). Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 2% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment assets are included in net assets with donor restrictions on the Foundation's statement of financial position.

14. ENDOWMENTS – CONTINUED

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

	With Donor Restrictions
Endowment net assets at beginning of year	$ 12,597,743
Contributions	219,090
Endowment net assets at end of year	$ 12,816,833

15. RISK MANAGEMENT

Risk Management – University
The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), which is a part of the State of Alabama's Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $3,500,000 per occurrence. The SIF purchases commercial insurance for claims in excess of $3,500,000. The University purchases commercial insurance for its automobile coverage, general liability and professional legal liability coverage. In addition, the University has a blanket fidelity bond that covers all employees. At of the issuance date of these financial statements, the SIF calculated a settlement loss of $90,215,245 related to damages from the March 19, 2018, tornado which caused significant damage to the University. To date, $88,294,391 in settlement payments have been received by the University with an additional $1,920,854 in receivables. Additional insurance settlement proceeds related to storm damages, if any, may be significant and material.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims.

15. RISK MANAGEMENT – CONTINUED

The University contributes a specified amount monthly to the PEEHIF for each employee; this amount is applied against the employee's premiums for the coverage selected, and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years. Claims that 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.

Risk Management – Foundation
Financial instruments that are exposed to concentrations of credit risk consisted of cash, accounts receivable and investments. The cash and investments in common trust investments are in high quality institutions and companies with high credit ratings. Cash balances in the Foundation's bank accounts are insured up to the amount of $250,000 by the Federal Deposit Insurance Corporation (FDIC). At times cash balances may exceed FDIC insured limits.

Promises to give are primarily due from various individuals and carried at net realizable value. Realization of these items is dependent on these individuals and general economic conditions. Investment values are based on quoted market prices in active and inactive markets and estimates of value based on cash flows, benchmark gifts and credit spreads. Realization of investment principal and related returns is dependent on the viability of the underlying entities and the reliability of the methods of valuation used.

16. RELATED PARTIES

Jacksonville State Alumni Association was created to promote scientific, literary and educational purposes, advancement of Jacksonville State University and for the encouragement and support of its students and faculty. This report contains no financial information related to the Jacksonville State Alumni Association.

The Foundation operates as a separate entity supported by contributions from unrelated donors and income from pooled fund investments. Each pooled fund investment is charged a management fee by the Foundation totaling $294,160 for the year ended December 31, 2020. The fees approximate the costs of the administrative services performed by the University on behalf of the Foundation. Additional management fees are charged to external entities for administrative services that are provided by the Foundation and are included in unrestricted revenue and support on the statement of activities.

Other services provided to the University by the Foundation include procuring financing for the development and construction, staffing, licensing, insurance, marketing, security and other services required for the operation of the Center prior to and after opening. In return, the Foundation receives a fee for services. Additionally, see Note 12 for a description of the services agreement between the University and the Foundation, and Note 13 for a description of amounts due to and from the University and the Foundation, as well as total service fees between the two entities.

17. CORONAVIRUS AID AND RELIEF

As a result of the spread of the SARS-CoV-2 virus, colleges and universities across the country took unprecedented action to protect the health and safety of students. Beginning in March of 2020, the University announced that all students were transitioned to a distance education framework through the end of the academic term. In addition, all summer classes and student services/orientations were transitioned to a distance model, and other non-essential summer in-person events, such as summer camps, typically occurring on campus, were cancelled. Many faculty and staff continued to work remotely during this time while those with essential duties continued to work on campus. Safeguards recommended by the Centers for Disease Control and Prevention (CDC) and other governmental agencies were put in place across the campus as were provisions for on-line instructions should the need arise. With these safeguards and provisions, beginning in August 2020, students began arriving on campus for the Fall semester. Despite these efforts, given the uncertainty in the epidemiological and economic outlook, there may be short and long-term implications for the University, student experience and operations. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

As an additional response to the pandemic, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law by President Trump. In the weeks that followed, the University applied for, and was awarded certain Higher Education Emergency Relief Fund (HEERF) grants to provide fast and direct economic aid to offset Institutions of Higher Education's (IHE) negative impact caused by the COVID-19 pandemic. In addition, the University was awarded additional funds through the CARES Act which were given to the State of Alabama. On January 14, 2021, the Department of Education announced the release of additional funding through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), which was signed into law by President Trump on December 7, 2020, to further offset the costs related to the pandemic for students and institutions. On May 11, 2021, the U.S. Department of Education approved the additional release of the American Rescue Plan (ARP) funds to support students and institutions towards recovery efforts from the pandemic.

Following is a summary of the State Coronavirus Relief Funds and HEERF funds available, awarded, drawn down, expended and remaining as of and for the year ended September 30, 2021:

	Available October 1, 2020	Awarded FY 2021	Drawn Down FY 2021	Expended FY 2021	Remaining September 30, 2021
HEERF - institutional portion	$ 2,984,567	$ 16,166,003	$ 4,000,923	$ 4,000,923	$ 15,149,647
HEERF - student portion	1,539,120	12,297,104	11,558,940	11,558,940	2,277,284
Strengthening Institutions Program	-	794,434	59,107	59,107	735,327
State coronavirus relief funds (CRF)	-	2,968,788	1,588,672	1,588,672	1,380,116
	$ 4,523,687	$ 32,226,329	$ 17,207,642	$ 17,207,642	$ 19,542,374

The University recorded $15,618,970 of Federal COVID-19 grants within operating revenues and $1,588,672 of CRF funds within nonoperating revenues on the statement of revenues, expenses and changes in net position for the amounts expended during the year ended September 30, 2021.

18. PRIOR PERIOD ADJUSTMENTS

The below table summarizes the effects of several prior period adjustments which were made to restate the beginning balance of the University's net position at October 1, 2020, including the effect such prior period adjustments would have had on the change in net position for the year ended September 30, 2020:

NET POSITION AT OCTOBER 1, 2020, AS PREVIOUSLY STATED	$	66,574,567
Overstatement of accounts receivable		(4,807,351)
Overstatement of deferred outflows		(841,395)
Overstatement of unearned revenue		8,880,625
Overstatement of deposits held in custody		416,160
NET POSITION AT OCTOBER 1, 2020, AS RESTATED	$	70,222,606
CHANGE IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2020, AS PREVIOUSLY STATED	$	3,847,271
Prior period adjustments		(6,661,246)
CHANGE IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2020, AS CORRECTED	$	(2,813,975)

19. FOUNDATION LIQUIDITY AND AVAILABILITY

Liquidity required to award scholarships is provided by non-endowment donor contributions generally made to specific scholarship funds and returns on the Foundation's investment portfolio. The bulk of the investment portfolio is comprised of marketable securities that can be redeemed as needed.

Operating liquidity is funded by management fees which are assessed to each scholarship fund on a pro-rata basis. Service fee income paid to the Foundation for its management of the Fitness and Wellness Center is primarily used to fund the debt service for the Foundation's bonds. This source of income can be used to fund operations to the extent that there are any funds remaining after servicing the debt.

19. FOUNDATION LIQUIDITY AND AVAILABILITY – CONTINUED

The table below presents the Foundation's financial assets available for general expenses within one year of the statement of financial position date:

Financial assets, at year end:	
Cash and cash equivalents	$ 5,653,575
Promises to give, net	381,322
Investments	41,699,425
Total financial assets at December 31, 2020	47,734,322
Less amounts not available to be used within one year due to:	
Net assets with donor restrictions	(41,976,677)
Cash restricted for bond service and capital projects	(881,694)
Refundable advances	(2,307,806)
Financial assets available for general expenses within one year	$ 2,568,145

20. FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS

Foundation net assets with donor restrictions were available for the following purposes at December 31, 2020:

Faculty awards and chairs	$ 4,919,987
Scholarships and grants	34,938,496
Other purposes	2,118,194
Total net assets with donor restrictions	$ 41,976,677

21. SUBSEQUENT EVENTS

On April 8, 2022, Alabama House Bill 138 was passed by the Alabama House and Senate and was sent to the Governor for signing. This bill provides for $6,500,000 of the University's loan due to the State of Alabama to be forgiven. See note 7 for further details on the loan.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Schedule of the University's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan of Alabama

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.824476%	0.770578%	0.780339%	0.744717%	0.748031%	0.736438%	0.732539%
Employer's proportionate share of the collective net pension liability	$ 101,985,000	$ 85,222,000	$ 77,586,000	$ 73,194,000	$ 80,982,000	$ 77,073,000	$ 66,548,000
Employer's covered payroll during the measurement period	$ 59,889,175	$ 59,996,862	$ 54,018,000	$ 52,486,000	$ 49,516,590	$ 47,766,000	$ 46,684,000
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	170.29%	142.04%	143.63%	139.45%	163.55%	161.36%	142.55%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to Schedule

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Employer's covered payroll: the payroll on which contributions to a pension plan are based.

Measurement period:
For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017
For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016
For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015
For fiscal year 2015, the measurement period is October 1, 2013 – September 30, 2014

See independent auditors' report.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

Schedule of the University's Proportionate Share of the Net OPEB Liability – Alabama Retired Education Employees' Health Care Trust

	2021	2020	2019	2018
University's proportion of the net OPEB liability	0.694043%	0.782694%	0.729542%	0.701339%
University's proportionate share of the net OPEB liability	$ 45,042,424	$ 29,529,228	$ 59,959,061	$ 52,091,455
University's covered-employee payroll	$ 59,889,175	$ 59,996,862	$ 54,018,000	$ 52,486,000
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	75.21%	49.22%	111.00%	99.25%
Plan fiduciary net position as a percentage of the total net OPEB liability	19.80%	28.14%	15.37%	14.81%

Notes to the Required Supplementary Information for the Year Ended September 30, 2021

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Covered payroll: the payroll on which contributions to an OPEB plan are based.

Measurement period:

For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

Changes in Actuarial Assumptions

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

See independent auditors' report.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS – TEACHERS' RETIREMENT PLAN OF ALABAMA (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2016
Contractually required contribution	$ 7,147,735	$ 7,076,281	$ 6,696,670	$ 6,264,121	$ 5,829,433	$ 5,623,694	$ 5,266,235
Contributions in relation to the contractually required contribution	(7,147,735)	(7,076,281)	(6,696,670)	(6,264,121)	(5,829,433)	(5,623,694)	(5,266,235)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 59,889,175	$ 59,996,862	$ 54,018,000	$ 52,486,000	$ 49,516,590	$ 47,766,000	$ 46,684,000
Contributions as a percentage of covered payroll	11.93%	11.79%	12.40%	11.93%	11.77%	11.77%	11.28%

Notes to Schedule
Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Employer's covered payroll: the payroll on which contributions to a pension plan are based.

Measurement period:
For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017
For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016
For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015
For fiscal year 2015, the measurement period is October 1, 2013 – September 30, 2014

See independent auditors' report.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018
Contractually required contribution	$ 1,153,847	$ 1,318,896	$ 2,110,331	$ 1,791,355
Contributions in relation to the contractually required contribution	(1,153,847)	(1,318,896)	(2,110,331)	(1,791,355)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered-employee payroll	$ 59,889,175	$ 59,996,862	$ 54,018,000	$ 52,486,000
Contributions as a percentage of covered-employee payroll	1.93%	2.20%	3.91%	3.41%

Notes to the Required Supplementary Information for the Year Ended September 30, 2021
Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Covered payroll: the payroll on which contributions to an OPEB plan are based.

Measurement period:
For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

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

See independent auditors' report.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes
Beginning in plan year 2021, the MAPD plan premium rates exclude the 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.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions
The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2017, 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, closed
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market value of assets
Inflation	2.75%
Health Care Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible *	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2019.

SINGLE AUDIT

JACKSONVILLE STATE UNIVERSITY
(A COMPONENT UNIT OF THE STATE OF ALABAMA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity	Pass-Through Entity Identifying Number	Total Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
Direct Program					
Federal Supplemental Educational Opportunity Grants	84.007			$ 312,743	$ -
Federal Work-Study Program	84.033			329,436	-
Federal Pell Grant Program	84.063			17,239,029	-
Teacher Education Assistance for College and Higher Education Grants	84.379			23,093	-
Federal Direct Student Loans	84.268			44,053,961	-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				61,958,262	-
U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS					
Higher Education Institutional Aid	84.031			644	-
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407			37,705	-
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF Student Aid Portion	84.425E			11,558,940	-
COVID-19 HEERF Institutional Portion	84.425F			4,000,923	-
COVID-19 HEERF Strengthening Institutions Program	84.425M			59,107	-
Total COVID-19 Education Stabilization Fund				15,618,970	-
TOTAL U.S. DEPARTMENT OF EDUCATION DIRECT PROGRAMS				15,657,319	-
RESEARCH AND DEVELOPMENT CLUSTER					
U.S. Department of Education					
Direct Program					
Education Innovation and Research	84.411			207,645	61,913
Total U.S. Department of Education				207,645	61,913

See notes to the schedule of expenditures of federal awards.

JACKSONVILLE STATE UNIVERSITY
(A COMPONENT UNIT OF THE STATE OF ALABAMA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity	Pass-Through Entity Identifying Number	Total Expenditures	Passed Through to Subrecipients
National Science Foundation					
Direct Program					
Engineering	47.041			$ 15,589	$ -
Pass Through					
Biological Sciences	47.074	Ouachita Baptist University	1827066	16,367	-
Total National Science Foundation				31,956	-
U.S. Department of Interior					
Direct Program					
Fish and Wildlife Management Assistance	15.608			14,095	6,236
Total U.S. Department of Interior				14,095	6,236
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				253,696	68,149
OTHER FEDERAL AWARDS					
U.S. Department of Justice					
Pass Through					
Grants to Reduce Domestic Violence, Dating Violence,	16.525	Office of Violence Against Women	2019-WA-AX-0025	95,129	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Anniston Police Department	BJA-2019-15126	16,323	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Alabama Department of Economic and Community Affairs	19-DJ-ST-001	55,156	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Alabama Department of Economic and Community Affairs	19-DJ-ST-008	97,744	-
Total U.S. Department of Justice				264,352	-
Department of Health and Human Services					
Foster Care-Title IV-E	93.658	University of Alabama	A21-0027-S004	88,162	-
Total Department of Health and Human Services				88,162	-

See notes to the schedule of expenditures of federal awards.

JACKSONVILLE STATE UNIVERSITY
(A COMPONENT UNIT OF THE STATE OF ALABAMA)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass Through Entity	Pass-Through Entity Identifying Number	Total Expenditures	Passed Through to Subrecipients
U.S. Small Business Administration					
Small Business Development Centers	59.037	University of Alabama	A21-0058-S002	$ 51,012	$ -
Small Business Development Centers	59.037	University of Alabama	A20-0318-S002	35,305	-
Total U.S. Small Business Administration				86,317	-
U.S. Department of Defense					
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	A20-0345-S002	61,627	-
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	A21-0439-S002	617	-
Total U.S. Department of Defense				62,244	-
TOTAL OTHER FEDERAL AWARDS				501,075	-
General Services Administration					
Pass Through					
Donation of Federal Surplus Personal Property (N)	39.003	Alabama Department of Economic and Community Affairs	N/A	1,465	-
Total General Services Administration				1,465	-
TOTAL FEDERAL EXPENDITURES				$ 78,371,817	$ 68,149

See notes to the schedule of expenditures of federal awards.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the federal expenditures of Jacksonville State University (the University) under programs of the federal government for the year ended September 30, 2021. The 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). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

For the year ended September 30, 2021, the University did not elect to use the 10% De Minimis Indirect Cost Rate permitted by Uniform Guidance.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub awards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

2. SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

For purposes of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. Expenditures for federal student financial aid programs include Federal Pell program grants to students, Federal Direct Student Loan Program, the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants, and Federal Work Study program earnings and administrative cost allowances, where applicable.

3. FEDERAL DIRECT STUDENT LOAN PROGRAM

The University participates in the Federal Direct Student Loan Program (the Program), Federal Assistance Listing Number (ALN) 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan, and the Federal Direct Loans to Parents of Undergraduate Students. The University is not responsible for collection of these loans. The amount of disbursements under the Program during the current year is presented in the schedule of expenditures of federal awards.

4. RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule is a reconciliation of total Federal expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown on the Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2021.

Statement of Revenue, Expenses, and Changes in Net Position	
Federal grants and contracts – operating revenue	$ 17,831,086
Federal grants – nonoperating revenue	17,222,004
Fall 2021 unearned Federal grant revenue	3,952,889
Fall 2020 unearned Federal grant revenue	(4,684,475)
Federal direct student loans	44,053,961
Other	(3,648)
Total per Schedule of Expenditures of Federal Awards	$ 78,371,817

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INDEPENDENT AUDITORS' 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*

To the Board of Trustees
Jacksonville State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jacksonville State University (the University), (a component unit of the State of Alabama) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended as listed in the table of contents, and have issued our report thereon dated April 20, 2022.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 a 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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the 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*.

The University's Responses to the Findings
The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Birmingham, Alabama
April 20, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Jacksonville State University

Report on Compliance for Each Major Federal Program
We have audited Jacksonville State University's (the University), (a component unit of the State of Alabama), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2021. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program
In our opinion, the University complied, in all material respects, with the types of 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, 2021.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-004 - 2021-007. Our opinion on each major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance
Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-004 and 2021-005 to be material weaknesses.

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 items 2021-006 to be a significant deficiency.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of This Report

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.

Warren Averett, LLC

Birmingham, Alabama
April 20, 2022

Section 1 – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weaknesses identified?	Yes √	No ___
Significant deficiencies identified?	Yes √	None reported ___
Noncompliance material to financial statements noted?	Yes ___	No √

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	Yes √	No ___
Significant deficiencies identified?	Yes √	None reported ___
Type of auditor's report issued on compliance for major programs:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes √	No ___

Identification of Major Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
84.063; 84.007 84.033; 84.268 84.379	Student Financial Assistance Cluster
84.425E, 84.425F 84.425M	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	**$ 750,000**	
Auditee qualified as low-risk auditee?	Yes √	No ___

Section 2 **Financial Statement Findings Reported in Accordance with *Government Auditing Standards***

2021-001 – Material Adjustments to Unearned Revenue and Deposits Held in Custody (Material Weakness)

Criteria: The University's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: During our audit procedures related to unearned revenues and deposits held in custody, the following items were noted:

- The University was using an incorrect allocation percentage within Banner for Fall semester unearned revenue.
- The University did not appropriately apply accounting standards regarding certain types of student financial aid grants within unearned revenue.
- The University did not appropriately follow accounting guidance regarding scholarship gifts received and disbursed within deposits held in custody.
- The University did not appropriately account for the terms of contracts and agreements so that unearned revenue and earned revenue were properly recognized in a timely manner.

Cause/Effect: The lack of a detail review of these accounts resulted in misstatements in unearned revenue and deposits held in custody. Some of these errors impacted the prior year and resulted in a restatement to the financial statements.

Recommendation: Although management has corrected some of these issues, we recommend that the University implement procedures to ensure that all contracts are thoroughly reviewed for terms, and that unearned revenue and deposits held in custody are properly calculated and detail reviewed within the Banner software system for proper revenue recognition.

Corrective Action: Management agrees with the finding. See corrective action plan.

2021-002 – Material Adjustments to Net Position Beginning Balance (Material Weakness)

Criteria: The University's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: At the beginning of the audit, we identified the beginning net position, as provided by the University, did not reconcile to the ending balance from prior year audited financial statements due to the factors below:

- Fixed asset and debt entries were not posted correctly during the year within the Banner software system.
- Accounts receivable and revenue were overstated in the prior year audited financial statements due to the incorrect posting of certain student financial aid grants, without appropriate reversal.

Cause/Effect: The University's procedures related to the year-end close process were not adequate to properly identify general ledger balances. As a result, numerous adjustments were required subsequent to year end to reconcile back to beginning balances.

Recommendation: We recommend that the University implement procedures around the monthly and year-end closing process to ensure the general ledger is complete and accurate and reconciles to beginning balances.

Corrective Action: Management agrees with the finding. See corrective action plan.

2021-003 – Recording of Accounts Receivable and Revenue (Significant Deficiency)

Criteria: The University's management is responsible for the fair presentation of the financial statements in accordance with GAAP and for designing and maintaining internal controls to ensure the accuracy of reported amounts.

Condition: During our audit procedures related to accounts receivable, the following item was noted:

- There were receipts related to various accounts receivable balances during the year, whereby the accounts receivable balances were not appropriately credited and removed from the general ledger and revenue was posted twice.

Cause/Effect: The University's procedures related to the recording and reconciliation of accounts receivable were not adequate. This resulted in multiple material audit adjusting entries to correct the accounts receivable and revenue balances in the general ledger.

Recommendation: We recommend that the University implement procedures to capture accounts receivable receipts as they are collected from agencies and students as this would ensure the proper recording of accounts receivable and revenue. We also recommend the University conduct regular check-ins with the Alabama State Comptroller's Office to determine collectability of balances on the general ledger.

Corrective Action: Management agrees with the finding. See corrective action plan.

Section 3 Federal Award Findings and Questioned Costs

2021-004 – Special Tests and Provisions – Exit Counseling (Material Weakness)

U.S. DEPARTMENT OF EDUCATION
Student financial assistance cluster
ALN: 84.268, Federal Direct Loans

Criteria: Title 34, Section 685.304 of the CFR states that an institution must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower, and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least halftime study at the institution. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Condition: During the period under audit, we selected 25 students who withdrew to verify that timely exit counseling was conducted in person, through mailing of materials, or through interactive electronic means. In three instances we noted that exit counseling materials were not sent within 30 days of learning of the student's withdrawal; in another six instances, we were unable to verify that exit counseling had been conducted.

Cause: The date through which the batch processing of exit counseling was run did not encompass late or retroactive withdrawals occurring after the conclusion of a term.

Effect: The University did not comply with special tests and provisions compliance requirements for exit counseling.

Questioned Costs: N/A

Context: We tested a sample of 25 withdrawn students who received federal financial assistance. In three instances, we noted exit counseling was not conducted timely. In six instances, we could not verify that exit counseling had been conducted.

Statistically Valid Sample: The sample was not intended to be, nor was it, a statistically valid sample.

Repeat Finding: No

Recommendation: We recommend the University strengthen its procedures related to monitoring withdrawn students and exit counseling to ensure compliance.

View of Responsible Officials: The University concurs with this finding. Following the findings are management's views and corrective action plan.

Finding 2021-005 – Special Tests and Provisions – Enrollment Reporting (Material Weakness)

U.S. DEPARTMENT OF EDUCATION
Student financial assistance cluster
ALN: 84.268, Federal Direct Loans
84.063, Federal Pell Grants

Criteria: Under the Federal Direct Loan and Federal Pell Grant programs, institutions must update the Enrollment Reporting Roster for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the National Student Loan Data System (NSLDS) website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Condition: We tested 25 students who withdrew from the University during the fiscal year. For six students, the change in status was not reported to the U.S. Department of Education within the required 60-day time frame.

Cause: These students were identified as unofficial withdrawals after the close of the semester. The registrar's system was not set up to report unofficial withdrawals to NSLDS.

Effect: The University did not comply with special tests and provisions compliance requirements related to enrollment reporting.

Context: For six of 25 students tested, the University did not properly report to the NSLDS the enrollment status change of the student within 60 days. The total population of students who withdrew during the fiscal year was approximately 560 students.

Statistically Valid Sample: The sample was not intended to be, nor was it, a statistically valid sample.

Repeat Finding: No

Recommendation: We recommend the University strengthen its policies and procedures related to enrollment reporting requirements to ensure future compliance with the regulations.

Views of Responsible Officials: The University concurs with this finding. Following the findings are management's views and corrective action plan.

Finding 2021-006 – Special Tests and Provisions – Disbursement Notification (Significant Deficiency)

U.S. DEPARTMENT OF EDUCATION
Student financial assistance cluster
ALN: 84.268, Federal Direct Loans

Criteria: The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to the Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. (34 CFR 668.165).

Institutions that implement an affirmative confirmation process (as described in 34 CFR 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than seven days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Condition: From a sample of 40 students or parents who received federal loans, we noted three students who were not notified regarding their loan right to cancel.

Cause: Management did not verify the notifications were sent.

Effect: A student may not have been aware of when their federal aid was disbursed and therefore may not know their rights to be able to return loan funds.

Context: During our testing, we noted 3 students or parents, out of a sample of 40, in which the University did not notify the student and/or parent of a loan disbursement being credited to the student's account.

Statistically Valid Sample: The sample was not intended to be, nor was it, a statistically valid sample.

Repeat Finding: No

Recommendation: We recommend the University strengthen its policies and procedures related to disbursement notification requirements to comply with the regulations.

Views of Responsible Officials: The University concurs with this finding. Following the findings are management's views and corrective action plan.

Finding 2021-007 – HEERF Reporting Requirements

U.S. DEPARTMENT OF EDUCATION
ALN: 84.425E – COVID-19 – Higher Education Emergency Relief Fund Student Aid Portion
ALN: 84.425F – COVID-19 – Higher Education Emergency Relief Fund Institutional Portion

Criteria: The U.S. Department of Education required institutions that received Higher Education Emergency Relief Funds (HEERF) 18004(a)(1) Student Aid Portion and 18004(a)(1) institutional portion to publicly post certain information on their website no later than 30 days after award. Per the Federal Register notice posted on August 31, 2020, subsequent reports are due quarterly and must be posted no later than ten days after the calendar quarter. These reports are required to be timely and accurate, and to contain the elements identified in the *2021 Office of Management and Budget Compliance Supplement Addendum*

Condition: During the period under audit, we inspected each of the required quarterly reports posted to the institution's website for the student and institutional portion. We noted that the required quarterly report for the period October 1, 2020 through December 31, 2020 was not posted. We did, however, note that the annual report for the year ended December 31, 2020 was timely posted.

Cause: The University mistakenly assumed the annual report supplanted the need for the quarterly report.

Effect: The University did not comply with reporting requirements.

Context: During the fiscal year, four quarterly reports were required to be posted on the University's website. One of these was not posted.

Questioned Costs: N/A

Statistically Valid Sample: The sample was not intended to be, nor was it, a statistically valid sample.

Repeat Finding: No

Recommendation: We recommend the University strengthen its procedures related to monitoring required reports to ensure compliance.

View of Responsible Officials: The University concurs with this finding. Following the findings are management's views and corrective action plan.

2021-001 – Material Adjustments to Unearned Revenue and Deposits Held in Custody (Material Weakness)

Finding:
While auditing unearned revenues and deposits held in custody, the following items were noted by the auditors:

- The University was using an incorrect allocation percentage within Banner for Fall semester unearned revenue.
- The University did not appropriately apply accounting standards regarding certain types of student financial aid grants within unearned revenue.
- The University did not appropriately follow accounting guidance regarding scholarship gifts received and disbursed within deposits held in custody.
- The University did not appropriately account for the terms of contracts and agreements so that unearned revenue and earned revenue were properly recognized in a timely manner.

Corrective Action Taken or Planned:
This occurred due to changing a previous practice of allocating fall tuition on a historic 25/75% split instead of counting board days which results in a 42/58% split. The change occurred during the 2021 year and the University has hard coded the allocation percentage for Fall Semester tuition into the fall tuition detail code. The University will implement processes to properly adjust unearned revenue.

Scholarship funds received from the University Foundation and other outside entities were previously deposited to the deposits held in custody account. These funds once received are University funds and will no longer be deposited to that account. They will be receipted as restricted scholarship revenue.

All contracts and grants were setup using the Banner Grants Admin process, creating accounts receivable based on expenditures and processing payments in excess of accounts receivable as deferred revenue. We are now categorizing contracts from grants and will be reviewing all new contracts and awards for proper setup in Banner to ensure that revenue is recognized according to contract terms.

Anticipated Correction Date
Corrective Action has been taken

Contact Person
Anastasia Rodriguez, Controller
awrodriguez@jsu.edu
256-782-5634

2021-002 – Material Adjustments to Net Position Beginning Balance (Material Weakness)

Finding:
The auditors noted that the beginning net position, as provided by the University, did not reconcile to the ending balance from prior year audited financial statements due to the factors below:

- Fixed asset and debt entries were not posted correctly during the year within the Banner software system.
- Accounts receivable and revenue were overstated in the prior year audited financial statements due to the incorrect posting of certain student financial aid grants, without appropriate reversal.

Corrective Action Taken or Planned:
Per Ellucian, Banner best practice for fixed assets and debt service are booked through net position which caused the beginning balance of net position to be unreconciled to the prior year audited balance and fixed assets and debt service ran through the statement of revenues, expenses and changes in net position. In the future, the University will ensure an adjusting entry to correct this issue is made during the year-end closing process, and that the beginning balance of net position is reconciled to the prior year audited financial statements.

Banner Grants Admin process caused the accounts receivable and revenue to be out of balance due to offsetting entries being made without the admin process being run. We have determined that the Banner Grants Admin process should not be run for financial aid accounts and have discussed with Ellucian best practices to prevent this from occurring again. The Controller or Assistant Controller will verify reconciliation of these accounts.

Anticipated Correction Date
This will be implemented by Summer 2022.

Contact Person
Anastasia Rodriguez, Controller
awrodriguez@jsu.edu
256-782-5634

2021-003 – Recording of Accounts Receivable and Revenue (Significant Deficiency)

Finding:
The auditors noted receipts related to various accounts receivable balances during the year, whereby the accounts receivable balances were not appropriately credited and removed from the general ledger resulting in revenue being posted twice.

Corrective Action Taken or Planned:
Funds were receipted as revenue instead of against accounts receivable. Going forward, all funds receipted will be verified against the balance sheet to ensure there is not an accounts receivable balance to post against and will provide proof of this and all deposits will be verified and approved by the Assistant Controller or Controller prior to being deposited.

Anticipated Correction Date
This will be implemented by Summer 2022.

Contact Person
Anastasia Rodriguez, Controller
awrodriguez@jsu.edu
256-782-5634

Finding 2021-04: Exit Counseling Notifications:

Finding:
The auditors tested a sample of 25 withdrawn students who received federal financial assistance. In three instances exit counseling was not conducted timely; and, in six instances, the auditors could not verify that exit counseling had been conducted.

Corrective Action Taken or Planned:
The process for Exit Counseling notifications (RRREXIT) was not being run after the end of the term, which caused notifications to not be sent to students who were withdrawn after the conclusion of term. This primarily affected students who were unofficially withdrawn due to not earning any academic credit. The process is now being run weekly through the first month of the following term to capture any late or retroactive withdrawals.

Anticipated Completion Date
Corrective action has been taken

Contact Person
Jessica Wiggins
Associate Vice President of Enrollment Management
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256-782-8041

Finding 2021-005: Enrollment Status Reporting:

Finding:
From a sample of 25 students who withdrew from the University during the fiscal year, the auditors noted, that for six students, the change in status was not reported to the U.S. Department of Education within the required 60-day time frame.

Corrective Action Taken or Planned:
The Registrar's Office was not reporting unofficial withdrawals to Clearinghouse since it was after the term had ended. They are now aware that they must report the enrollment status change to Clearinghouse for all withdrawals. The Registrar's Office will now report enrollment status after receiving the list of unofficial withdrawals from the Financial Aid Office at the conclusion of each term.

Anticipated Completion Date
Corrective action has been taken

Contact Person
Jessica Wiggins
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256-782-8041

Finding 2021-006: Disbursement Notifications:

Finding:
From a sample of 40 students or parents who received federal loans, the auditors noted three students who were not notified regarding their loan right to cancel.

Corrective Action Taken or Planned:
JSU did not previously send disbursement notifications to students during the summer term if the student previously borrowed in fall and/or spring. This process is being automated on a scheduler (Automic) to send to all students once disbursements are done for any term. The disbursement and notification process will run in conjunction with each other.

Anticipated Completion Date
This will be implemented by Summer 2022.

Contact Person
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256-782-8041

2021-007 – HEERF Quarterly Reporting Requirements

Finding:
The auditors noted that the required quarterly HEERF report for the period October 1, 2020 through December 31, 2020 was not posted. They did, however, note that the annual report for the year ended December 31, 2020 was timely posted.

Corrective Action Taken or Planned:
The University mistakenly assumed the annual report supplanted the need for the quarterly report. The University has implemented controls to ensure that future quarterly reports are filed as required.

Anticipated Correction Date
Corrective action has been taken

Contact Person
Anastasia Rodriguez
Controller
awrodriguez@jsu.edu
256-782-5634

ADDITIONAL INFORMATION

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
LISTING OF THE BOARD OF TRUSTEES AND UNIVERSITY OFFICIALS (UNAUDITED)
SEPTEMBER 30, 2021