

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2023

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Jacksonville State University

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 5 through 15 and the accompanying supplementary information on Pages 65 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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.

Supplementary 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, 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises a listing of the University's Board of Trustees and Officials but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024 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, 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
February 29, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (UNAUDITED)**

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Jacksonville State University (University) for the years ended September 30, 2023 and 2022. 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 in accordance with 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.

JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)

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)

	2023	2022
Assets		
Current assets	\$ 104,283	\$ 98,516
Capital assets, net	472,751	324,427
Other assets	17,151	7,536
Total assets	594,185	430,479
Deferred outflows of resources		
Deferral on refunding	3,804	4,139
Deferred outflows related to OPEB	20,863	18,925
Deferred outflows related to pensions	42,902	23,305
Total deferred outflows of resources	67,569	46,369
Liabilities		
Current liabilities	70,823	79,585
Noncurrent liabilities	412,239	251,304
Total liabilities	483,062	330,889
Deferred inflows of resources		
Deferred inflows related to pensions	6,133	23,363
Deferred inflows related to OPEB	50,401	33,262
Total deferred inflows of resources	56,534	56,625
Net position		
Net investment in capital assets	207,676	179,773
Restricted – expendable	15,766	16,613
Restricted – nonexpendable	964	963
Unrestricted	(102,248)	(108,015)
Total net position	\$ 122,158	\$ 89,334

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

Total assets are categorized as either current assets, noncurrent assets, or capital assets on the Statement of Net Position. Current assets for September 30, 2023, include approximately \$22,826,000 in accounts receivable, net, including approximately \$1,921,000 due from the state insurance fund. Noncurrent assets include long-term investments of approximately \$6,659,000.

Current assets for September 30, 2022, include approximately \$28,056,000 in accounts receivable, net, including approximately \$1,921,000 due from the state insurance fund. Noncurrent assets include long-term investments of approximately \$5,920,000.

For fiscal year 2023, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately \$3,805,000, 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 \$20,863,000. The balance of approximately \$42,902,000 is due to employee pension cost that has not been considered when calculating pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2022, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately \$4,139,000, 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 \$18,925,000. The balance of approximately \$23,305,000 is due to employee pension cost that has not been considered when calculating 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 2023, total liabilities increased approximately \$152,173,000 to a total of approximately \$483,062,000. The total liability balance at the end of fiscal year 2022 was approximately \$330,890,000.

For fiscal year 2023, deferred inflow of resources represents pension obligations in the amount of approximately \$6,133,000 and for OPEB of approximately \$50,401,000.

For fiscal year 2022, deferred inflow of resources represents pension obligations in the amount of approximately \$23,363,000 and for OPEB of approximately \$33,262,000.

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Position

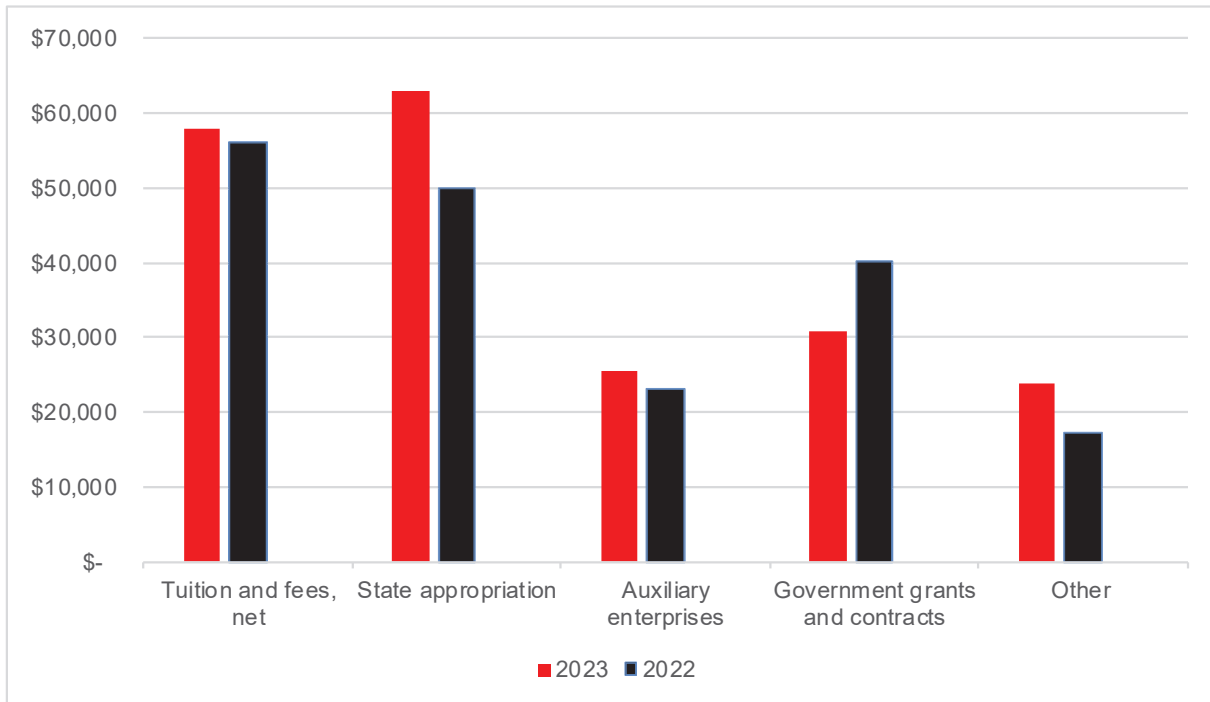
The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University as a whole. Revenues, expenses and other changes in net position are reported as either operating or nonoperating. Significant recurring sources of University revenue, such as state appropriations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

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

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 105,423	\$ 111,312
Operating expenses	<u>(174,058)</u>	<u>(165,726)</u>
Operating loss	(68,635)	(54,414)
Net nonoperating revenues	89,712	69,805
Capital grants and contracts	<u>11,704</u>	<u>4,916</u>
Change in net position	32,781	20,307
Net position at beginning of year	89,334	68,820
Cumulative effect of change in accounting principle	<u>43</u>	<u>207</u>
Net position at end of year	<u><u>\$ 122,158</u></u>	<u><u>\$ 89,334</u></u>

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

Operating and Nonoperating Revenues by Year (\$ in thousands)



The Statement of Revenues, Expenses and Changes in Net Position for 2023 reflects an overall increase in net position of approximately \$32,824,000. Net student tuition and fee revenue totaled approximately \$57,775,000 in 2023 as compared to approximately \$56,114,000 in 2022, an increase of approximately \$1,661,000. Grant and contract revenue from government sponsors totaled approximately \$30,852,000 for 2023, as compared to approximately \$40,116,000 in 2022. State appropriation increased by approximately \$12,945,000 or 25.96% from approximately \$49,865,000 in 2022 to approximately \$62,810,000 in 2023. Auxiliary revenues increased by approximately \$2,437,000 or 10.58% from approximately \$23,031,000 in 2022 to approximately \$25,468,000 in 2023. This increase is primarily attributable to housing and meal plans.

In 2022, the University adopted the provisions of GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting whereby certain leases that were previously classified as operating leases will now be reported on the statement of net position. GASB Statement No. 87 required the University to record financing lease right-of-use assets and the corresponding current and noncurrent portions of financing lease liabilities for noncancelable, long-term contracts related to use of tangible property under which the University is the lessee. In addition, GASB Statement No. 87 required the University to record the current and noncurrent portions of financing lease receivables and the corresponding financing lease deferred inflow of resources for noncancelable, long-term contracts related to use of tangible property under which the University is the lessor. The adoption of the provisions of GASB Statement No. 87 resulted in a restatement of beginning unrestricted net position at October 1, 2021, by increasing unrestricted net position by \$207,415.

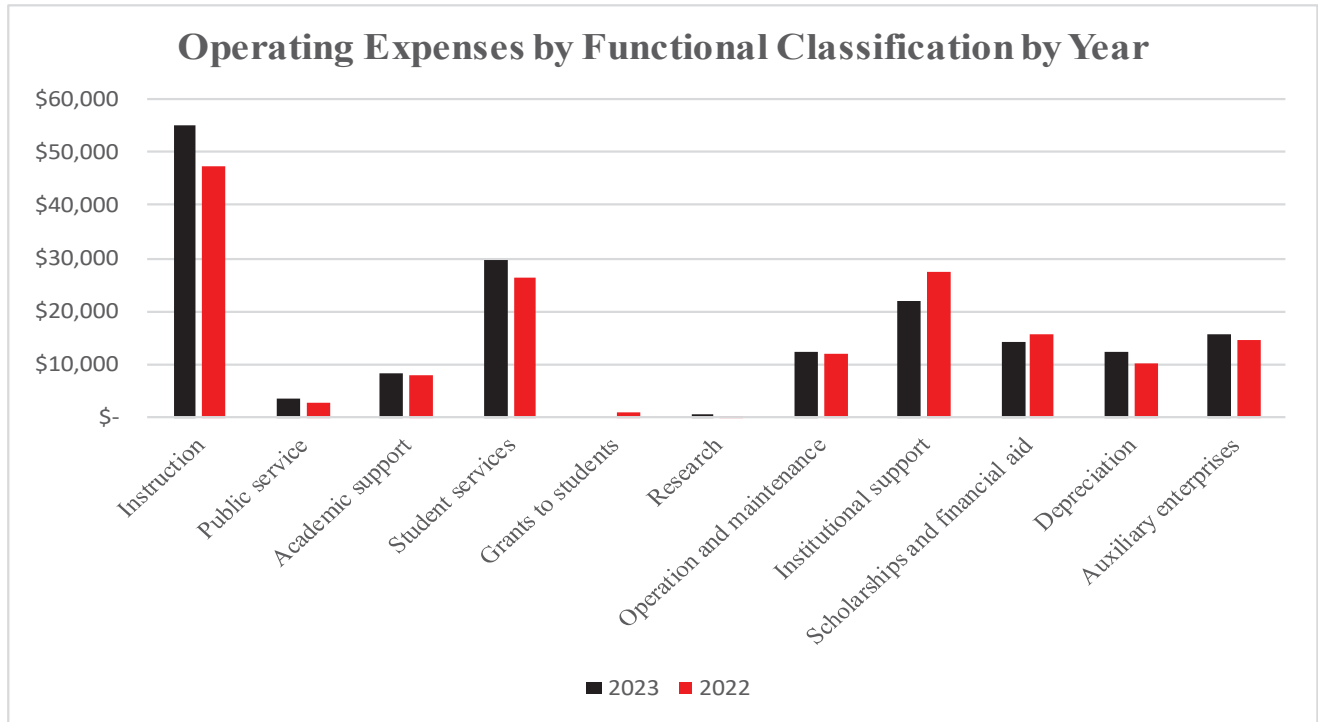
**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

In 2023, the University adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITAs) to be recorded as both an intangible asset and a corresponding subscription liability; provides capitalization criteria for outlays related to non-subscription payments; and requires note disclosures for SBITAs. This adoption resulted in increased right-of-use assets and the related lease and subscription obligations at the beginning of the fiscal year, in the amount of \$1,026,014, which is represented in capital assets, net on the statement of net position. The adoption of the provisions of GASB Statement No. 96 resulted in a restatement of beginning unrestricted net position at October 1, 2022, by increasing unrestricted net position by \$42,765.

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

Operating Expenses				
Functional Classification (\$ in thousands)				
	2023	%	2022	%
Instruction	\$ 55,170	31.7%	\$ 47,171	28.5%
Public service	3,661	2.1%	2,903	1.7%
Academic support	8,315	4.8%	7,909	4.8%
Student services (including athletics)	29,845	17.1%	26,401	15.9%
Research	538	0.3%	179	0.1%
Operation and maintenance	12,530	7.2%	11,942	7.2%
Institutional support	21,902	12.6%	27,632	16.7%
Scholarships and financial aid (net)	14,074	8.1%	16,742	10.1%
Depreciation and amortization	12,222	7.0%	10,328	6.2%
Auxiliary enterprises	15,801	9.1%	14,519	8.8%
Total operating expenses	<u>\$ 174,058</u>	<u>100.0%</u>	<u>\$ 165,726</u>	<u>100.0%</u>

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

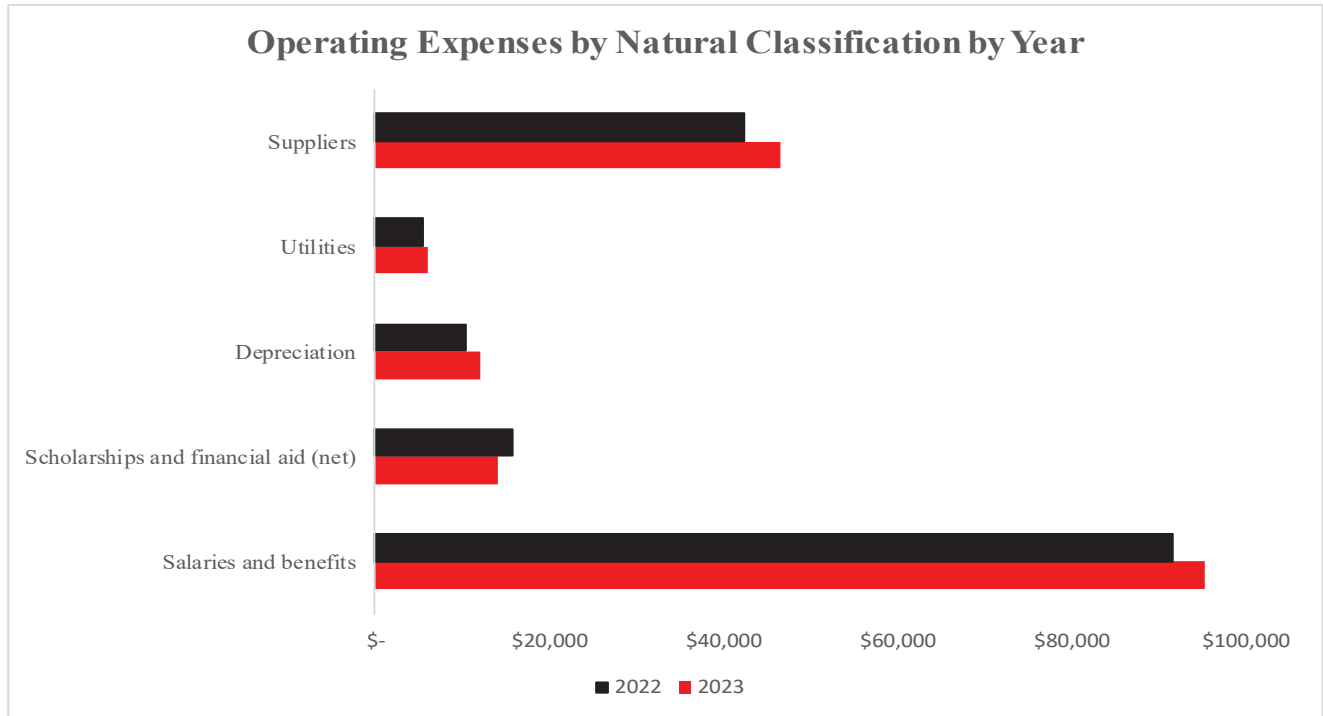


For fiscal year 2023, total operating expenses increased by approximately \$8,332,000 or 5.03%, primarily due to an increase in instructional expenses of approximately \$7,999,000 and an increase in student services of approximately \$3,443,000. For fiscal year 2022, total operating expenses totaled approximately \$165,726,000.

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

Operating Expenses Natural Classification (\$ in thousands)				
	2023	%	2022	%
Salaries and benefits	\$ 95,235	54.7%	\$ 91,614	55.3%
Scholarships and financial aid (net)	14,074	8.1%	16,742	10.1%
Depreciation and amortization	12,222	7.0%	10,328	6.2%
Utilities	5,992	3.5%	5,535	3.3%
Suppliers	46,535	26.7%	41,507	25.1%
	<u>\$ 174,058</u>	<u>100.0%</u>	<u>\$ 165,726</u>	<u>100.0%</u>

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**



For fiscal year 2023, total operating expenses increased by \$8,332,000 or 5.03%, primarily due to increased payments to suppliers of approximately \$5,028,000 and increased salaries and benefits of approximately \$3,621,000. For fiscal year 2022, total operating expenses totaled approximately \$165,726,000.

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 \$43,062,000 in 2023 and approximately \$34,655,000 in 2022. In addition to the allowances, students participate in governmental financial aid/loan programs. The loans are not recorded as revenue or expense in the financial statements, but are recorded in the Statements of Cash Flows as direct lending receipts totaling approximately \$44,433,000 and approximately \$43,040,000 in 2023 and 2022, respectively.

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

Condensed Statements of Cash Flows (\$ in thousands)

	2023	2022
Cash provided by (used in):		
Operating activities	\$ (52,465)	\$ (46,409)
Noncapital financing activities	86,275	69,604
Capital and related financing activities	(16,233)	(23,534)
Investing activities	<u>(6,868)</u>	<u>368</u>
Net change in cash	10,709	29
Cash, beginning of year	<u>59,489</u>	<u>59,460</u>
Cash, end of year	<u><u>\$ 70,198</u></u>	<u><u>\$ 59,489</u></u>

During fiscal year 2023, the University's total cash balance increased by approximately \$10,709,000. During fiscal year 2022, the University's total cash balance increased by approximately \$29,000.

Capital and Debt Activities

Construction in progress at September 30, 2023, totaled approximately \$29,940,000 and included the following major projects: South Complex, Kitty Stone renovations, and the Randy Owen Performing Arts Center.

Construction in progress at September 30, 2022, totaled approximately \$71,664,000 and included the following major projects: Merrill Hall, South Complex, Kitty Stone renovations, and the Randy Owen Performing Arts Center.

Debt and Leases

At September 30, 2023, total debt outstanding, including leases and SBITA obligations, totaled approximately \$287,334,000.

At September 30, 2023, the University had a "BBB" stable outlook credit rating from Standard and Poor's, and an "A3" credit rating from Moody's. These downgrades, which occurred in February 2023, were due to the increased debt load with the issuance of the 2023 Series Bonds by the Jacksonville State University Foundation.

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.

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

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.

Capital Projects

Jacksonville State University is operating during a campus transformational period. The campus is experiencing record enrollment growth; completing the athletic transition to Conference USA; remains committed to tornado recovery; and undertaking strategic capital investments. The University, as part of its ongoing continuous improvement process, consistently implements measures to ensure future financial requirements to support this campus transformation.

On March 1, 2023, the Foundation secured the Higher Educational Facilities Revenue Bonds (Series 2023-A), totaling \$77,085,000, and the Taxable Higher Educational Facilities Revenue Bonds (Taxable Series 2023-B), totaling \$47,280,000. The Foundation will use these proceeds to construct buildings and structures in accordance with the development agreement and the dining and athletic facilities construction contracts. On March 1, 2023, the University signed a sublease agreement, with the Foundation, which will expire on March 15, 2063. The sublease allows the University to operate and maintain the dining facilities, athletic facilities, and student housing at the University. These projects are estimated to be completed in Fall 2024, and combined will have a transformational impact on the University.

Through the ongoing support of the Foundation, the Series 2023 Bonds will allow the University to enhance where students live, eat, study and socialize. The University's sublease of the Foundation's housing, dining, and athletic bond-financed facilities continues to foster the University's mission to provide a thriving, learning and living community that supports the student experience.

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

**JACKSONVILLE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(UNAUDITED)**

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 the Federal Emergency Management Agency (FEMA) through the Public Assistance program. For this disaster, expenses for cleanup and repairs are reimbursed by FEMA at 75 percent with the State of Alabama providing 12.5 percent of the local match, and the University providing the remaining 12.5 percent of the cost.

The University continues to work with FEMA and with the Alabama EMA to obtain final determinations and to complete outstanding tornado related repairs.

FINANCIAL STATEMENTS

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2023</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 70,198,087
Accounts receivable, net of allowance of \$3,173,010	22,825,845
Prepaid expenses and unearned scholarships	<u>11,259,307</u>
Total current assets	<u>104,283,239</u>
ASSETS WHOSE USE IS LIMITED	
Trustee-held funds	<u>9,200,149</u>
NONCURRENT ASSETS	
Notes receivable, net of allowance of \$721,961	1,237,195
Investments	6,658,841
Investments in real estate	54,637
Land	7,457,806
Right-of-use buildings	181,259,775
Right-of-use equipment	75,793
Right-of-use IT software	1,107,601
Capital assets, net of accumulated depreciation of \$176,397,944	<u>282,850,115</u>
Total noncurrent assets	<u>480,701,763</u>
Total assets	<u>594,185,151</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to refunding of debt	3,804,678
Deferred outflows of resources related to OPEB	20,862,968
Deferred outflows of resources related to pensions	<u>42,902,122</u>
Total deferred outflows of resources	<u>67,569,768</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 661,754,919</u></u>

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2023</u>
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	\$ 11,255,696
Wages payable	4,462,314
Unearned revenue	39,907,707
Current portion of compensated absences	1,201,197
Current portion of long-term debt	12,556,570
Current portion of lease and SBITA obligations	<u>1,440,417</u>
Total current liabilities	<u>70,823,901</u>
NONCURRENT LIABILITIES	
Compensated absences, less current portion	1,110,051
Deposits held in custody	1,708,525
Long-term debt, less current portion	273,337,179
Net pension liability	122,711,000
OPEB liability	<u>13,371,923</u>
Total noncurrent liabilities	<u>412,238,678</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	50,401,640
Deferred inflows of resources related to pensions	<u>6,133,000</u>
Total deferred inflows of resources	<u>56,534,640</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>539,597,219</u>
NET POSITION	
Net investment in capital assets	207,676,537
Restricted:	
Nonexpendable	964,155
Expendable:	
Scholarships and fellowships	13,259,329
Loans	2,506,379
Unrestricted	<u>(102,248,700)</u>
TOTAL NET POSITION	<u><u>\$ 122,157,700</u></u>

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, 2022

	<u>2022</u>
ASSETS	
Cash and cash equivalents	\$ 8,290,082
Restricted cash	871,051
Investments	38,999,475
Prepaid expenses	93,434
Promises to give, net	4,596,265
Charitable remainder trusts – restricted	1,386,898
Property held for sale	14,000
Property and equipment, net	<u>38,185,183</u>
TOTAL ASSETS	<u><u>\$ 92,436,388</u></u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 924,542
Refundable advances	2,145,250
Charitable remainder trusts obligations	437,876
Bonds payable	41,555,587
Accrued interest on bonds payable	<u>871,047</u>
TOTAL LIABILITIES	<u>45,934,302</u>
NET ASSETS (DEFICIT)	
Without donor restrictions	(719,447)
With donor restrictions	<u>47,221,533</u>
Total net assets	<u>46,502,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 92,436,388</u></u>

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, 2023

	<u>2023</u>
OPERATING REVENUES	
Tuition and fees, net of scholarship allowance of \$43,061,865	\$ 57,774,706
Federal COVID-19 grants	2,407,443
Other federal grants and contracts	3,791,004
State and local grants and contracts	3,757,465
Nongovernmental grants and contracts	4,518,650
Sales and services of educational departments	1,200,627
Athletic income	3,043,830
Other operating revenues	3,460,816
Auxiliary enterprises:	
Residential life	14,330,973
Sales and service	<u>11,137,268</u>
 Total operating revenues	 <u>105,422,782</u>
OPERATING EXPENSES	
Instruction	55,170,318
Public service	3,660,655
Academic support	8,315,276
Student services, including athletics	29,844,669
Research	537,846
Operation and maintenance	12,530,049
Institutional support	21,901,627
Scholarships and financial aid	14,074,257
Depreciation and amortization	12,222,373
Auxiliary enterprises	<u>15,800,636</u>
 Total operating expenses	 <u>174,057,706</u>
 Operating loss	 <u>(68,634,924)</u>

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, 2023

	<u>2023</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 62,809,504
Federal grants	20,897,084
Forgiveness of State of Alabama loan	6,643,477
Investment income	3,070,362
Loss on disposal of capital assets	(14,946)
Rental of facilities	364,301
Other income	1,595,458
Interest on debt	<u>(5,652,872)</u>
Net nonoperating revenues	<u>89,712,368</u>
Capital activities	
Capital grants and contracts	
State	<u>11,703,851</u>
Increase in net position	<u>32,781,295</u>
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY STATED	89,333,640
Cumulative effect of change in accounting principle	<u>42,765</u>
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>89,376,405</u>
NET POSITION AT END OF YEAR	<u><u>\$ 122,157,700</u></u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS (LOSSES) AND OTHER SUPPORT			
Contributions	\$ -	\$ 5,648,998	\$ 5,648,998
Net investment return	136,732	(6,030,864)	(5,894,132)
In-kind gifts	4,535	168,813	173,348
Other income	13,672	736,703	750,375
Management fee income	412,317	-	412,317
Service fee income	4,125,000	-	4,125,000
	<u>4,692,256</u>	<u>523,650</u>	<u>5,215,906</u>
Total revenues, gains (losses) and other support before net assets released from restrictions	4,692,256	523,650	5,215,906
Net assets released from restrictions	6,271,172	(6,271,172)	-
	<u>10,963,428</u>	<u>(5,747,522)</u>	<u>5,215,906</u>
Total revenues, gains (losses) and other support	10,963,428	(5,747,522)	5,215,906
EXPENSES			
Program services	10,998,101	-	10,998,101
Management and general	1,255,550	-	1,255,550
Fundraising	214,199	-	214,199
	<u>12,467,850</u>	<u>-</u>	<u>12,467,850</u>
Total expenses	12,467,850	-	12,467,850
CHANGE IN NET ASSETS	(1,504,422)	(5,747,522)	(7,251,944)
NET ASSETS AT BEGINNING OF YEAR	784,975	52,969,055	53,754,030
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (719,447)</u>	<u>\$ 47,221,533</u>	<u>\$ 46,502,086</u>

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, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts related to tuition and fees	\$ 59,330,878
Receipts related to grants and contracts	17,421,993
Receipts related to sales and services of educational departments	1,200,627
Receipts related to athletic income	3,043,830
Receipts related to auxiliary enterprises	25,468,241
Other operating receipts	1,757,159
Payments to suppliers and vendors	(48,427,421)
Payments to utilities	(4,514,796)
Payments to employees for services	(93,357,017)
Payments for scholarships and grants	<u>(14,388,399)</u>
Net cash used in operating activities	<u>(52,464,905)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	62,809,504
Additional state grant	196,837
Federal grants	20,421,744
Federal direct loan receipts	44,433,258
Federal direct loan disbursements	(43,957,918)
Deposits held for others	411,395
Other nonoperating activities	<u>1,960,037</u>
Net cash provided by noncapital financing activities	<u>86,274,857</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from capital grants and gifts	11,703,851
Principal paid on revenue bonds	(2,840,000)
Principal paid on capital leases	(57,880)
Purchase of capital assets	(18,153,595)
Proceeds from sale of capital assets	67,670
Repayment of construction loan	(142,945)
Interest paid on construction loan	(406,221)
Interest paid on capital debt and leases	<u>(6,403,656)</u>
Net cash used in capital and related financing activities	<u>(16,232,776)</u>

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, 2023

	<u>2023</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	\$ 1,687,162
Proceeds from sale and maturity of investments	3,463,775
Purchase of investment securities	<u>(12,019,259)</u>
Net cash used in investing activities	<u>(6,868,322)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	10,708,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>59,489,233</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 70,198,087</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (68,634,924)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	12,222,373
Changes in assets, liabilities and deferrals:	
Accounts receivable, net	5,229,768
Prepaid expenses and unearned scholarships	(288,596)
Notes receivable	324,528
Compensated absences	41,638
Payables	799,367
Pension related deferrals and liabilities	8,362,909
OPEB related deferrals and liabilities	(7,767,618)
Change in unearned revenue	<u>(2,754,350)</u>
Net cash used in operating activities	<u><u>\$ (52,464,905)</u></u>

See notes to the financial statements.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023, the University reports the Foundation as a discretely presented component unit. The Foundation 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, 2022; 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.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 GAAP 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.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

Assets Whose Use is Limited

Assets whose use is limited includes investments designated by the board to provide for future capital purchases.

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 \$3,173,010 at September 30, 2023. Notes receivable is recorded net of an allowance for uncollectible accounts of \$721,961 at September 30, 2023.

Prepaid Expenses and Unearned Scholarships

Prepaid expenses and unearned scholarships consist 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 method.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

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.

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	24-40 years
Improvements other than buildings	5-10 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 statement of revenues, expenses and changes in net position.

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, 2023, no impairments were recorded.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Right-of-Use Assets and Financing Lease Obligations

Financing leases as a lessee are included in financing lease right-of-use assets and financing lease obligations and the current portion thereof on the statement of net position.

Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Financing lease right-of-use assets and related obligations are recognized at the commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at the commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Amortization of right-of-use assets is recognized on a straight-line basis over the lease term or useful life of the asset, whichever is shorter. Interest expense is recognized as a component of the lease payment and recorded as such in the statement of revenues, expenses and changes in net position.

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.

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, 2022, total \$173,348.

JACKSONVILLE STATE UNIVERSITY
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.

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.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 below:

<u>Years of Employment</u>	<u>Number of Days Each Year</u>	<u>Maximum Days Accumulated</u>
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.

JACKSONVILLE STATE UNIVERSITY
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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.

New Accounting Pronouncements – Adopted

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, (GASB 96). 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 party to subscription-based information technology arrangements (SBITAs) and adopted this statement during the year ended September 30, 2023.

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.

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, 2022, 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, 2019, through December 31, 2022. The Foundation has filed tax returns through December 31, 2022.

Advertising – Foundation

Advertising costs are expensed as incurred by the Foundation and are included in the functional expense section in the statement of activities and changes in net assets. For the year ended December 31, 2022, advertising expenses were \$543,109.

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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 February 29, 2024, 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, 2023, the University's deposits held by financial institutions participating in the SAFE program totaled \$71,682,648.

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.

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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.

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, 2023:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 6,487,267	\$ -	\$ -	\$ 6,487,267
Stocks	171,574	-	-	171,574
Real estate	-	-	54,637	54,637
Total investments	<u>\$ 6,658,841</u>	<u>\$ -</u>	<u>\$ 54,637</u>	<u>\$ 6,713,478</u>

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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, 2023, 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, 2023, 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, 2023, the University had \$4,779,111 in mutual funds issued by Ameriprise Financial and \$1,314,476 in a Large Cap Value Fund issued by Franklin Templeton.

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.

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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 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;

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, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 280,856	\$ -	\$ -	\$ 280,856
Tax exempt – fixed income	-	43,524	-	43,524
Taxable – fixed income	-	8,917,701	-	8,917,701
Other – fixed income	-	522,864	-	522,864
Large cap – equity funds	12,273,196	-	-	12,273,196
Mid-cap – equity funds	3,208,302	-	-	3,208,302
Small cap – equity funds	3,269,212	-	-	3,269,212
Other – equity funds	6,312,251	-	-	6,312,251
Alternative investments	-	-	4,171,569	4,171,569
Total investments	<u>\$ 25,343,817</u>	<u>\$ 9,484,089</u>	<u>\$ 4,171,569</u>	<u>\$ 38,999,475</u>

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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.

Equity funds: 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.

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.

Asset-backed securities: The primary inputs for the valuation include quoted prices for identical or similar assets in markets that are not active.

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.

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Level 3 Measurements

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, 2022:

Balance at January 1, 2022	\$ 2,196,888
Realized and unrealized losses	(410,743)
Acquisitions	3,227,411
Sales	(1,110,286)
Return of capital	268,299
Balance at December 31, 2022	<u>\$ 4,171,569</u>

Trustee-Held Funds

The Trust Indenture of the Public Education Building Authority of Jacksonville (Jacksonville State University Foundation Bonds), Series 2023-A and Series 2023-B, established certain funds to be controlled by a trustee. The balance in the trustee-held funds at September 30, 2023, was \$9,200,149. The Trustee-held funds are made up of previously restricted funds and gift income received from the Jacksonville State University Foundation, plus reinvested interest earned during the period. These funds are made up of cash and cash equivalents investments.

4. RECEIVABLES

University

Receivables are reported net of uncollectible amounts and are summarized as follows at September 30, 2023:

Accounts receivable	
Federal	\$ 8,133,320
State	7,654,351
Other	2,703,489
Student accounts receivable	7,507,695
Less allowance for doubtful accounts	<u>(3,173,010)</u>
Total accounts receivable, net	<u>\$ 22,825,845</u>
Notes receivable	
Loans	\$ 1,959,156
Less allowance for doubtful accounts	<u>(721,961)</u>
Total notes receivable, net	<u>\$ 1,237,195</u>
Total receivables, net	<u>\$ 24,063,040</u>

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Foundation

The Foundation's promises to give consist of amounts that are both restricted and unrestricted 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 \$24,572 in promises to give without donor restrictions and \$5,582,770 in promises to give with donor restrictions at December 31, 2022.

The discount rate used to calculate net present value at December 31, 2022, was 4.0%.

Receivable in less than one year	\$ 1,019,387
Receivable in one to five years	3,761,898
Receivable in more than five years	<u>826,057</u>
Total unconditional promises to give	5,607,342
Less allowance for doubtful accounts	564,516
Less discount to net present value	<u>446,561</u>
Net unconditional promises to give	<u><u>\$ 4,596,265</u></u>

5. CAPITAL ASSETS

Financing Leases

A summary of the University's financing lease right-of-use assets activity for the year ended September 30, 2023, follows:

	Balance at September 30, 2022	Additions	Disposals	Balance at September 30, 2023
Right-of-use buildings	\$ 43,567,017	\$ 140,804,408	\$ -	\$ 184,371,425
Right-of-use equipment	99,843	36,153	-	135,996
Right-of-use IT software	<u>-</u>	<u>1,911,955</u>	<u>-</u>	<u>1,911,955</u>
	43,666,860	142,752,516	-	186,419,376
Less accumulated amortization for right-of-use assets:				
Right-of-use buildings	1,221,505	1,890,145	-	3,111,650
Right-of-use equipment	23,110	37,093	-	60,203
Right-of-use IT software	<u>-</u>	<u>804,354</u>	<u>-</u>	<u>804,354</u>
	1,244,615	2,731,592	-	3,976,207
Right-of-use, net	<u><u>\$ 42,422,245</u></u>			<u><u>\$ 182,443,169</u></u>

The University leases various equipment and building space under financing leases expiring at various dates through May 2058.

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Aggregate future lease payments under noncancelable finance and SBITA leases as of September 30, 2023, by year, are as follows:

	Right-of-Use Leases		Right-of-Use IT Software	
	Principal	Interest	Principal	Interest
2024	\$ 931,058	\$ 8,618,832	\$ 509,359	\$ 14,020
2025	1,483,586	8,576,629	246,620	8,027
2026	1,528,405	8,504,267	177,542	3,591
2027	1,692,717	8,427,350	56,810	1,392
2028	1,758,962	8,345,461	-	-
2029-2033	10,512,473	40,333,443	-	-
2034-2038	15,310,420	37,416,774	-	-
2039-2043	28,824,417	32,330,783	-	-
2044-2048	38,650,357	23,876,118	-	-
2049-2058	82,832,306	21,416,352	-	-
Totals	<u>\$ 183,524,701</u>	<u>\$ 197,846,009</u>	<u>\$ 990,331</u>	<u>\$ 27,030</u>

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

	Balance at September 30, 2022	Additions	Disposals	Transfers	Balance at September 30, 2023
Non-depreciable assets					
Land	\$ 7,342,408	\$ 115,398	\$ -	\$ -	\$ 7,457,806
Construction in progress	71,663,597	10,043,142	-	(51,762,744)	29,943,995
Depreciable assets					
Buildings	312,171,155	6,190,424	-	51,762,744	370,124,323
Improvements other than buildings	18,570,901	-	-	-	18,570,901
Equipment	21,891,956	1,585,170	(570,713)	-	22,906,413
Library materials	18,003,405	219,461	(520,439)	-	17,702,427
Total capital assets	449,643,422	18,153,595	(1,091,152)	-	466,705,865
Accumulated depreciation					
Buildings	115,851,554	7,362,631	-	-	123,214,185
Improvements other than buildings	16,176,434	478,555	-	-	16,654,989
Equipment	18,847,642	1,675,112	(547,781)	-	19,974,973
Library materials	16,763,163	311,072	(520,438)	-	16,553,797
Total accumulated depreciation	167,638,793	9,827,370	(1,068,219)	-	176,397,944
Total capital assets, net	<u>\$ 282,004,629</u>	<u>\$ 8,326,225</u>	<u>\$ (22,933)</u>	<u>\$ -</u>	<u>\$ 290,307,921</u>

Depreciation and amortization expense for the University for the year ended September 30, 2023, was \$12,222,373.

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The University is in the process of completing reconstruction and replacement of assets damaged during the March 19, 2018, tornado, which impacted the University. In July 2022, FEMA denied the University's reconstruction second appeal to address the Wallace Hall building damage. The University resubmitted a project extension and continues to await a FEMA final determination to evaluate project alternatives. The cost to complete remaining projects is approximately \$40,299,000.

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

	2022
Land	\$ 132,043
Buildings	43,079,418
Equipment	1,035,191
	<u>44,246,652</u>
Less accumulated depreciation	6,061,469
Property and equipment, net	<u><u>\$ 38,185,183</u></u>

Depreciation expense for the Foundation for the year ended December 31, 2022, was \$1,590,244.

6. ACCOUNTS PAYABLE, ACCRUED LIABILITIES, AND WAGES PAYABLE

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

Salaries and wages	\$ 4,462,314
Benefits	2,490,094
Payroll taxes	1,625,826
Interest payable	1,157,983
Other	5,981,793
Total accounts payable, accrued liabilities and wages payable	<u><u>\$ 15,718,010</u></u>

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7. FORGIVENESS OF STATE OF ALABAMA LOAN

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. 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 provided for \$6,500,000 of the University's loan due to the State of Alabama to be forgiven. No principal payments have been required on this loan through September 30, 2023; and the remaining balance \$6,446,640 was forgiven during the year.

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 a portion of 2017 bonds, and to finance the costs of repairs and capital improvements.

Long-term liabilities activity (excluding net pension and net OPEB liabilities) for the year ended September 30, 2023, was as follows:

	Balance September 30 2022	Additions	Reductions	Balance September 30, 2023	Current Portion
Bonds:					
Series 2015 Revenue Bonds	\$ 8,595,000	\$ -	\$ (65,000)	\$ 8,530,000	\$ 65,000
Series 2016 Revenue Bonds	8,815,000	-	(60,000)	8,755,000	65,000
Series 2017 Revenue Bonds	25,990,000	-	(1,190,000)	24,800,000	1,280,000
Series 2020 Revenue Bonds	44,395,000	-	(1,525,000)	42,870,000	1,415,000
Bond premiums	8,989,422	-	(443,624)	8,545,798	443,624
Total bonds, net	96,784,422	-	(3,283,624)	93,500,798	3,268,624
Other long-term liabilities:					
Compensated absences	2,269,610	41,638	-	2,311,248	1,201,197
Capital lease obligations	149,762	3,612	(61,492)	91,882	61,492
Construction loan payable	9,369,399	-	(142,945)	9,226,454	9,226,454
Total other long-term liabilities	11,788,771	45,250	(204,437)	11,629,584	10,489,143
Lease and SBITA obligations	43,097,437	145,129,348	(3,711,753)	184,515,032	1,440,417
Total long-term liabilities	<u>\$ 151,670,630</u>	<u>\$ 145,174,598</u>	<u>\$ (7,199,814)</u>	<u>\$ 289,645,414</u>	<u>\$ 15,198,184</u>

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Revenue Bonds – University

For the Revenue Bonds, a trustee holds the deposits, including earnings on investments of these deposits. Revenues 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 \$10,960,110 at September 30, 2023, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$57,774,706 were received during the fiscal year ended September 30, 2023, with \$403,315, or 0.7% of pledged revenues, being used to pay principal and interest payments during 2023. These bonds are scheduled to mature in fiscal year 2033.

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 \$12,236,350 at September 30, 2023, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$57,774,706 were received during the fiscal year ended September 30, 2023, with \$405,450, or 0.7% of pledged revenues, being used to pay principal and interest payments during 2023. 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 \$35,978,366 at September 30, 2023, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$57,774,706 were received during the fiscal year ended September 30, 2023, with \$2,320,469, or 4.0% of pledged revenues, being used to pay principal and interest payments during 2023. 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 \$69,951,972 at September 30, 2023, are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$57,774,706 were received during the fiscal year ended September 30, 2023, with \$3,232,706 or 5.6% of pledged revenues, being used to pay principal and interest payments during 2023. These bonds are scheduled to mature in fiscal year 2051.

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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: (1) declare the loan due and payable, and/or (2) 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 August 1, 2024, 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. At September 30, 2023, the interest rate on the loan was 5.21%. The balance due as of September 30, 2023, was \$9,226,454.

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, 2024, 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, 2023, and no balance was due as of that date.

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

	Revenue Bonds	
	Principal	Interest
2024	\$ 2,825,000	\$ 3,419,360
2025	2,960,000	3,299,743
2026	3,110,000	3,166,183
2027	3,140,000	3,028,625
2028	3,300,000	2,886,775
2029-2033	18,485,000	12,127,478
2034-2038	20,505,000	8,216,647
2039-2043	11,500,000	4,805,588
2044-2048	11,230,000	2,739,000
2049-2058	7,900,000	482,400
Totals	<u>\$ 84,955,000</u>	<u>\$ 44,171,799</u>

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, Series 2017-A, and \$400,000 Higher Educational Facilities Taxable Revenue Bonds, Series 2017-B, (JSU Foundation Project). 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 \$1,024,528), amortization expense for the year ended December 31, 2022,

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of \$29,625, (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, 2022, totaled \$1,865,115) which is being amortized over the term of the bonds. Amortization expense for the year ended December 31, 2022, was \$54,061.

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, 2022.

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

2023	\$ 320,000
2024	445,000
2025	450,000
2026	450,000
2027	570,000
Thereafter	<u>38,480,000</u>
Aggregate	<u>\$ 40,715,000</u>

For the year ended December 31, 2022, the Foundation expended \$1,747,894 in interest.

9. PENSION PLAN

Employees of the University are covered by a cost-sharing, multiple-employer defined benefit pension plan administered by the Teachers' Retirement System of Alabama (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

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the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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 up to 80% of their average final compensation. 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 6.0% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

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Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% 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 was \$7,610,122 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of \$122,711,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers.

At September 30, 2022, the University's proportion was 0.789606%, which was a decrease of 0.03331% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized pension expense of approximately \$16,002,000. At September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,698,000	\$ 2,978,000
Change of assumptions	5,568,000	-
Net difference between projected and actual earnings on pension plan investments	24,624,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,402,000	3,155,000
Employer contributions subsequent to measurement date	7,610,122	-
	<u>\$ 42,902,122</u>	<u>\$ 6,133,000</u>

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A total of \$7,610,122, reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	
2024	\$ 8,993,000
2025	7,086,000
2026	3,938,000
2027	9,142,000
	<u>\$ 29,159,000</u>

Actuarial Assumptions

The net pension liability was determined by an actuarial valuation as of September 30, 2021, and rolled forward in accordance with GASB Statement No. 67 to the measurement date of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25 - 5.00%
Investment rate of return*	7.45%

**Net of pension plan investment expense.*

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2021, completed by the RSA and its actuaries. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to the actuarial assumptions. The Board of Control accepted and approved these changes in September 2021 which became effective as of the beginning of fiscal year 2021.

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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	15.00%	2.8%
U.S. Large Stocks	32.00%	8.0%
U.S. Mid Stocks	9.00%	10.0%
U.S. Small Stocks	4.00%	11.0%
International Developed Market Stocks	12.00%	9.5%
International Emerging Market Stocks	3.00%	11.0%
Alternatives	10.00%	9.0%
Real Estate	10.00%	6.5%
Cash Equivalents	5.00%	2.5%
Total	100.00%	

* Includes assumed rate of inflation of 2.00%.

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Discount Rate

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

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 7.45%, 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 (6.45%) or one percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of collective net pension liability	<u>\$ 158,783,000</u>	<u>\$ 122,711,000</u>	<u>\$ 92,327,000</u>

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, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes in the required supplementary section, detail by employer and in aggregate information needed to comply with GASB 68. Additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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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. 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.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 455 of the Legislature of 1983) 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.

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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. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan for Optional Coverage Plans.

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. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC, and members are able to carry all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug insurance) 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 with 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.

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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 \$1,271,582 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of \$13,371,923 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the Net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the University's proportion was 0.767421%, which was an increase of 0.064057% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized OPEB expense of (\$6,496,035), with no special funding situations. At September 30, 2023, 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	\$ 613,290	\$ 27,036,931
Changes of assumptions	10,846,457	19,463,639
Net difference between projected and actual earnings on OPEB plan investments	1,681,647	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,449,992	3,901,070
Employer contributions subsequent to the measurement date	1,271,582	-
	<u>\$ 20,862,968</u>	<u>\$ 50,401,640</u>

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A total of \$1,271,582, 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, 2023.

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,	
2024	\$ (7,530,983)
2025	(8,003,427)
2026	(3,863,953)
2027	(3,548,747)
2028	(4,888,923)
Thereafter	<u>(2,974,221)</u>
	<u><u>\$ (30,810,254)</u></u>

Actuarial Assumptions

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

Healthcare cost trend rate	2.50%
Salary increases ¹	3.25% - 5.00%
Long-term investment rate of return ²	7.00%
Municipal bond index rate at the measurement date	4.40%
Municipal bond index rate at the prior measurement date	2.29%
Projected year for fiduciary net position (FNP) to be depleted	N/A
Single equivalent interest rate at the measurement date	7.00%
Single equivalent interest rate at the prior measurement date	3.97%
Healthcare cost trend rate:	
Pre-Medicare eligible	6.50%
Medicare eligible	**
Ultimate trend rate:	
Pre-Medicare eligible	4.50% in 2031
Medicare eligible	4.50% in 2027

¹Includes 2.75% wage inflation.

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

** Initial Medicare claims are set based on scheduled increases through plan year 2025.

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

Group	Membership Table	Set Forward(+) / Setback(-)	Adjustment to Rates
Active Members	Teacher employee – below median	None	65%
Service Retirees	Teacher – below median	Male: +2, Female: +2	Male 108% ages<63, 96% ages>67; Phasing down 63 - 67 Female: 112% ages<69, 98%>age 74; Phasing down 69 - 74
Disabled Retirees	Teacher disability	Male: +8, Female: +3	None
Beneficiaries	Teacher contingent survivor – below median	Male: +2, Female: None	None

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

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 actuarial valuation as of September 30, 2021.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), 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.

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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	<u>100.00%</u>	

* Geometric mean, includes 2.5% inflation.

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, 2022, was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees includes 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 rate. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately 15.527% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the amount will increase at the same rate as benefit payments for the closed group until reaching an employer rate of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.5% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

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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 (5.50% decreasing to 3.50% for pre-Medicare, known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, known decreasing to 5.50% for Medicare eligible)
University's proportionate share of collective net OPEB liability	\$ 10,139,957	\$ 13,371,923	\$ 17,335,626

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of collective net OPEB liability	\$ 16,532,408	\$ 13,371,923	\$ 10,718,790

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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. 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, or upon attainment of age 59½. Distributions may be in the form of lump-sum payments or through the purchase of an annuity

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contract. Jacksonville State University contributed \$1,618,906 under this plan for the year ended September 30, 2023. At September 30, 2023, the University had payables of \$294,409 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, 2023, were estimated at approximately \$1,204,000, primarily related to the College of Education's move to its new facility, and pre-construction costs for The Randy Owen Center for the Performing Arts and for the new Storm Shelter.

As of September 30, 2023, the University had been awarded approximately \$3,479,000 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.

On July 17, 2017, the University entered into a lease and 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 May 2058 (See Note 5). The total annual lease and service fee paid in 2023 was \$4,150,000.

As of September 30, 2023, the University's future commitment for the non-lease component service fees to the Foundation is as follows:

2024	\$ 2,145,706
2025	2,208,506
2026	2,266,506
2027	2,324,506
2028	2,382,306
2029	2,445,306
2030	2,538,306
2031	2,589,456
2032	2,651,488
2033	2,709,400
	<u>\$ 24,261,486</u>

During the year ended September 30, 2023, the University entered into an additional sublease and service agreement with its component unit, Jacksonville State University Foundation whereas the University will sublease the Bond-Financed Facilities which include dining facilities, athletic facilities, and ancillary facilities for students of the University, and the University may operate, maintain and

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use the facilities. Simultaneously with the execution of this sublease agreement, the Foundation issued its Series 2023-A and Series 2023-B Bonds to provide funds, among other things, to finance the acquisition, construction, furnishing and equipping by the Foundation of the Bond-Financed Facilities. The University has committed to annual fees to be paid to the Foundation through August 2058. The total annual lease and service fee paid by the University in 2023 was \$0, as the first payments were covered by a Foundation lease incentive of \$2,772,296.

13. COMPONENT UNITS

During the year ended September 30, 2023, the Foundation, a discretely presented component unit of the University, distributed \$3,421,265 to the University for both restricted and unrestricted purposes. At September 30, 2023, the University has recorded payables of \$32,247 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 position associated with endowment funds is classified and reported based on the existence of donor-imposed restrictions.

University endowment net position as of September 30, 2023, consists of \$964,155 of restricted nonexpendable scholarship and fellowship funds and \$13,259,329 of restricted expendable scholarship funds. The endowment net position also consists of \$9,200,149 included in net investments in capital assets. During the year ended September 30, 2023, the endowment's restricted expendable funds decreased by losses of \$847,694.

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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.

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.

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Changes in endowment net assets for the year ended December 31, 2022, are as follows:

	With Donor Restrictions
Endowment net assets at beginning of year	\$ 41,161,820
Investment change	(7,816,630)
Investment income	601,271
Contributions	1,409,253
Expenditures	<u>(1,774,066)</u>
Endowment net assets at end of year	<u><u>\$ 33,581,648</u></u>

Endowment funds underwater at December 31, 2022 were approximately \$2,000,000.

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. As 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, which is self-sustaining, was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions. 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.

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.

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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; for the 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 \$393,766 for the year ended December 31, 2022. 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.

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17. CORONAVIRUS AID AND RELIEF

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, 2023:

	Available October 1, 2022	Awarded FY 2023	Drawn Down FY 2023	Expended FY 2023	Remaining September 30, 2023
HEERF - institutional portion	\$ 1,827,929	\$ -	\$ 1,827,929	\$ 1,804,214	\$ 23,715
Strengthening Institutions Program	603,229	-	603,229	603,229	-
	<u>\$ 2,431,158</u>	<u>\$ -</u>	<u>\$ 2,431,158</u>	<u>\$ 2,407,443</u>	<u>\$ 23,715</u>

The University recorded \$2,407,443 of Federal COVID-19 grants within operating revenues on the statement of revenues, expenses and changes in net position for the amounts expended during the year ended September 30, 2023.

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18. FOUNDATION LIQUIDITY AND AVAILABILITY

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	\$ 9,161,133
Promises to give, net	4,596,265
Investments	<u>38,999,475</u>
Total financial assets at December 31, 2022	52,756,873
Less amounts not available to be used within one year due to:	
Net assets with donor restrictions	(47,221,533)
Cash restricted for bond service and capital projects	(871,051)
Refundable advances	<u>(2,145,250)</u>
Financial assets available for general expenses within one year	<u><u>\$ 2,519,039</u></u>

19. FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS

Foundation net assets with donor restrictions were available for the following purposes at December 31, 2022:

Faculty awards and chairs	\$ 2,618,881
Scholarships and grants	41,418,334
Other purposes	<u>3,184,318</u>
Total net assets with donor restrictions	<u><u>\$ 47,221,533</u></u>

20. SUBSEQUENT EVENT

On February 2, 2024, the University reached a favorable settlement with the State of Alabama Department of Finance to settle all The University's remaining insurance claims arising out of the tornado incident in 2018.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSONVILLE STATE UNIVERSITY
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SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.789606%	0.822916%	0.824476%	0.770578%	0.780339%	0.744717%	0.748031%	0.736438%	0.732539%
Employer's proportionate share of the collective net pension liability	\$ 122,711,000	\$ 77,521,000	\$ 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	\$ 63,389,274	\$ 61,538,912	\$ 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	193.58%	125.97%	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	62.21%	67.72%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to Schedule

The 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 2023, the measurement period is October 1, 2021 – September 30, 2022
For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021
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
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SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the net OPEB liability	0.767421%	0.703364%	0.694043%	0.782694%	0.729542%	0.701339%
University's proportionate share of the net OPEB liability	\$ 13,371,923	\$ 36,341,505	\$ 45,042,424	\$ 29,529,228	\$ 59,959,061	\$ 52,091,455
University's covered-employee payroll	63,197,224	\$ 61,538,912	\$ 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	21.16%	59.05%	75.21%	49.22%	111.00%	99.25%
Plan fiduciary net position as a percentage of the total net OPEB liability	48.39%	27.11%	19.80%	28.14%	15.37%	14.81%

Notes to schedule

The 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 2023, the measurement period is October 1, 2021 – September 30, 2022

For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021

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
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SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –
TEACHERS' RETIREMENT PLAN OF ALABAMA (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,610,122	\$ 7,342,031	\$ 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	<u>(7,610,122)</u>	<u>(7,342,031)</u>	<u>(7,147,735)</u>	<u>(7,076,281)</u>	<u>(6,696,670)</u>	<u>(6,264,121)</u>	<u>(5,829,433)</u>	<u>(5,623,694)</u>	<u>(5,266,235)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 63,389,274	\$ 61,538,912	\$ 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	12.01%	11.93%	11.93%	11.79%	12.40%	11.93%	11.77%	11.77%	11.28%

Notes to Schedule

The 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 2023, the measurement period is October 1, 2021 – September 30, 2022
For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021
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
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SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,271,582	\$ 1,372,684	\$ 1,153,847	\$ 1,318,896	\$ 2,110,331	\$ 1,791,355
Contributions in relation to the contractually required contribution	<u>(1,271,582)</u>	<u>(1,372,684)</u>	<u>(1,153,847)</u>	<u>(1,318,896)</u>	<u>(2,110,331)</u>	<u>(1,791,355)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 63,389,274	\$ 61,538,912	\$ 59,889,175	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000
Contributions as a percentage of covered-employee payroll	2.01%	2.23%	1.93%	2.20%	3.91%	3.41%

Notes to schedule

The 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 2023, the measurement period is October 1, 2021 – September 30, 2022

For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021

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
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SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –
ALABAMA RETIRED EDUCATION EMPLOYEES'
HEALTH CARE TRUST (UNAUDITED) – CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Changes in Actuarial Assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2021, are summarized below.

Assumption	Description
Price Inflation	2.50%
Investment Return	7.00%
Wage Inflation	2.75%
Mortality Rates (Pre-Retirement, Post-Retirement Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from an age-based table, broken down by service bands, to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability Rates	Lowered rates of disability retirement at most ages.
Salary Increases	No change to total assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%

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

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates excluded 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 Affordable Care Act maximum annual out-of-pocket amounts.

JACKSONVILLE STATE UNIVERSITY
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SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –
ALABAMA RETIRED EDUCATION EMPLOYEES'
HEALTH CARE TRUST (UNAUDITED) – CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	23 years, closed
Asset valuation method	Market value of assets
Inflation	2.50%
Health care cost trend rate:	
Pre-Medicare eligible	6.50%
Medicare eligible *	5.00%
Ultimate trend rate:	
Pre-Medicare eligible	4.50%
Medicare eligible	4.50%
Year of ultimate trend rate	2027 for pre-Medicare eligible 2025 for Medicare eligible
Investment rate of return	7.00%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2025.

SINGLE AUDIT

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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			\$ 426,334	\$ -
Federal Work-Study Program	84.033			395,659	-
Federal Pell Grant Program	84.063			20,897,084	-
Teacher Education Assistance for College and Higher Education Grants	84.379			16,032	-
Federal Direct Student Loans	84.268			43,957,918	-
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER				65,693,027	-
U.S. DEPARTMENT OF EDUCATION					
Direct Program					
COVID-19 Education Stabilization Fund:					
COVID-19 HEERF Institutional Portion	84.425F			1,792,329	-
COVID-19 HEERF Strengthening Institutions Program	84.425M			603,229	-
Pass Through					
COVID-19 Education Stabilization Fund	84.425D	University of Alabama	U220120	206,451	159,445
Total COVID-19 Education Stabilization Fund				2,602,009	159,445
TOTAL U.S. DEPARTMENT OF EDUCATION				68,295,036	159,445

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
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation					
Direct Program					
Engineering Grants	47.041		1663472/2303579	\$ 21,365	\$ -
Polar Programs	47.078			90,055	-
Stem Education	47.046		2221136	271,611	
Pass Through					
Biological Sciences	47.074	Ouachita Baptist University	1827066	15,990	-
Total National Science Foundation				<u>399,021</u>	<u>-</u>
U.S. Department of Interior					
Direct Program					
Candidate Species Conservation	15.660	Gulf State Marine Fisheries Commission	F22AP02697-01	28,607	-
Total U.S. Department of Interior				<u>28,607</u>	<u>-</u>
U.S. Department of Agriculture					
Pass Through					
Partnership Agreements	10.699	Forest Service	22-PA-11080100-280	2,479	-
				<u>2,479</u>	<u>-</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER				<u>430,107</u>	<u>-</u>
OTHER FEDERAL AWARDS					
U.S. Department of Justice					
Pass Through					
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	Office of Violence Against Women	2019-WA-AX-0025	35,026	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Anniston Police Department	BJA-2019-15126	66,278	-
Edward Byrne Memorial Justice Assistance Grant	16.738	Alabama Department of Economic and Community Affairs	2023-DJ-02-52	125,176	-
Total U.S. Department of Justice				<u>226,480</u>	<u>-</u>

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
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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
Department of Health and Human Services					
Foster Care-Title IV-E	93.658	University of Alabama	A22-0027-S0004	\$ 140,466	\$ -
Total Department of Health and Human Services				140,466	-
U.S. Small Business Administration					
Small Business Development Centers	59.037	University of Alabama	A21-0058-S002	20,760	-
Small Business Development Centers	59.037	University of Alabama	A20-0318-S002	57,289	-
Total U.S. Small Business Administration				78,049	-
U.S. Department of Defense					
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	A22-0407-S002	72,967	-
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	DOD-202301B	12,256	-
Total U.S. Department of Defense				85,223	-
U.S. Department of Homeland Security					
Pass Through					
State and Local Homeland Security National Training Program	97.005	The Center for Rural Development	EMW-2022-CA-00033	26,246	-
Total U.S. Department of Treasury				26,246	-
National Aeronautics and Space Administration					
Pass Through					
Science	43.001	Alabama State Council on the Arts	E2031012	177,463	-
Total National Endowment for the Arts				177,463	-
TOTAL FEDERAL EXPENDITURES				<u>\$ 69,459,070</u>	<u>\$ 159,445</u>

See notes to the schedule of expenditures of federal awards.

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023. 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, 2023, 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 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.

**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, 2023, 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 February 29, 2024. The financial statements of Jacksonville State University Foundation (Foundation) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on 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 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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*.

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.

A handwritten signature in black ink that reads "Warren Averett, LLC". The signature is written in a cursive, flowing style.

Birmingham, Alabama
February 29, 2024

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

Opinion on 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 identified as subject to audit in the Office of Management and Budget (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, 2023. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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
February 29, 2024

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

SECTION I SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:
Material weaknesses identified? Yes _____ No x
Significant deficiencies identified? Yes _____ None reported x
Noncompliance material to financial statements? Yes _____ No x

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes _____ No x
Significant deficiencies identified? Yes _____ None reported x

Type of auditors' 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 x

Identification of Major Programs

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063; 84.007 84.033; 84.268 84.379	Student Financial Assistance Cluster
84.425D, 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 x

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**SECTION II FINANCIAL STATEMENT FINDINGS REPORTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

There were no financial statement findings.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings and questioned costs.

OTHER INFORMATION

JACKSONVILLE STATE UNIVERSITY
(A Component Unit of the State of Alabama)
LISTING OF THE UNIVERSITY BOARD OF TRUSTEES AND OFFICIALS (UNAUDITED)
SEPTEMBER 30, 2023

<u>Board Members</u>		<u>Term Expires</u>
The Honorable Kay Ivey	Governor of Alabama	Ex-Officio
Randall Jones	Chairman	2027
Senator Vivian Davis Figures	Vice Chair	2023
Ms. Gale Saxon Main		2023
Mr. Gregory Brown		2027
Mr. Anthony A. Smoke		2028
Mr. Clarence W. Daugette, III		2023
Mr. Randy Y. Owen		2024
Mr. Tony Ingram		2027
Mr. Rusty Fuller		2025
Mr. Drew Linn		2025
<u>Officials</u>		
Dr. Don C. Killingsworth, Jr.	President	
Ms. Arlitha Williams-Harmon	Senior Vice President, Finance and Administration/CFO	