Jacksonville State University Annual Financial Report

Fiscal Year 2019


CAMPUS TOUR

Jacksonville State University
(A Component Unit of the State of Alabama)
Annual Financial Report
Fiscal Year 2019

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SENIOR VICE PRESIDENT FOR
FINANCE & ADMINISTRATION/CFO
JACKSONVILLE STATE UNIVERSITY

LETTER OF TRANSMITTAL

June 1, 2020

Board of Trustees
Jacksonville State University

Dear Trustees,

On behalf of Acting President Killingsworth, I am pleased to present to you the audited Annual Financial Statements of Jacksonville State University ("JSU") as of and for the years ended September 30, 2019 and 2018.

The Audited Financial Statements provide financial information regarding JSU's operations during the year and present its financial position as of the end of the fiscal year.

CDPA, PC, Certified Public Accountants, has performed the audit for the year ended September 30, 2019, and has issued an "unmodified" opinion, the most favorable outcome of the audit process. The audit opinion provides reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

We have also received from CDPA, reports on compliance for each major program and internal control over compliance and financial reporting in accordance with Government Auditing Standards and Uniform Guidance.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis.

Respectfully submitted,

Jim Brigham, MS, CPA, CIA, CFE

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JACKSONVILLE STATE UNIVERSITY

Board of Trustees

University President

Don C. Killingsworth, Jr., Acting

JACKSONVILLE STATE UNIVERSITY

Jacksonville State University
Audited Financial Statements
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JACKSONVILLE STATE UNIVERSITY

PART I

FINANCIAL STATEMENTS


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Independent Auditor's Report

To the Board of Trustees
Jacksonville State University

Report on the Financial Statements

We have audited the accompanying financial statements of Jacksonville State University ("JSU" or "the University"), a component unit of the State of Alabama, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise JSU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Jacksonville State University Foundation, Inc. (JSUF). JSUF's statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville State University Foundation, Inc., is based solely on the report of the other auditors. 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 JSUF were not audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of JSU and its discretely presented component unit as of September 30, 2019 and 2018, and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2018, JSU adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The October 1, 2017 net position has been restated to reflect changes resulting from the adoption of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

As discussed in Note 18 to the basic financial statements, during the year ended September 30, 2018, the University campus experienced significant damages as the result of an EF-3 tornado. This event resulted in insurance recovery gain recognitions during the years ended September 30, 2019 and 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Listing of Board of Trustees and University Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2020 on our consideration of Jacksonville State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on JSU'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 Jacksonville State University's internal control over financial reporting and compliance.

CDPA, P.C.

Athens, AL
March 31, 2020

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, 2019 and 2018. 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.* The Foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these statements are presented as originally audited according to U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) pronouncements.

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

Statement of Net Position

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

Condensed Statements of Net Position
($ in thousands)

	2019	2018
Assets		
Current Assets	$ 110,801	$ 108,921
Capital Assets, net	230,671	183,066
Other Assets	8,937	10,191
Total Assets	350,409	302,178
Deferred Outflow of Resources		
Deferral on Refunding	4,983	5,359
Deferred Outflows related to OPEB	3,386	1,722
Deferred Outflows Related to Pensions	16,219	11,506
Total Deferred Outflow of Resources	24,588	18,587
Liabilities		
Current Liabilities	75,959	74,495
Noncurrent Liabilities	224,641	210,590
Total Liabilities	300,600	285,085
Deferred Inflow of Resources		
Deferred Inflows Related to Pensions	8,428	7,793
Deferred Inflows related to OPEB	3,242	7,915
Total Deferred Inflow of Resources	11,670	15,708
Net Position		
Net Investment in Capital Assets	145,491	109,630
Restricted-Expendable	16,642	13,030
Restricted-Non-Expendable	963	949
Unrestricted (Deficit)	(100,369)	(103,637)
	$ 62,727	$ 19,972

Total assets are categorized as either current assets, noncurrent assets, or capital assets on the Statement of Net Position.

Current assets for September 30, 2019 includes $47,750,000 in Accounts Receivable including $12,068,605 due from the state insurance fund. Noncurrent assets include long term investments of $5,902,000.

Current assets for September 30, 2018 includes $58,827,000 in Accounts Receivable including $33,793,000 due from the state insurance fund that was collected through April 2019. Current assets also include $1,034,000 short term investments. Noncurrent assets include long term investments of $9,994,000.

For fiscal year 2019, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of $4,983,000, 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 $3,386,000. The balance of $16,219,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2018, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of $5,359,000, 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). The University implemented GASB 75 during fiscal year 2018, which resulted in deferred outflows of resources from OPEB obligations of $1,722,000. The balance of $11,506,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. Current liabilities are those due or likely to be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll, compensated absences, unearned revenue and other expenses and amounts due in the next year on debt. Noncurrent liabilities are comprised mostly of long-term debt and net pension liability. During fiscal year 2019, total liabilities increased $15,515,000 to a total of $300,600,000. During fiscal year 2018, total liabilities increased $70,970,000 to a total of $285,084,000.

Total debt outstanding, including capital lease obligations (if any), increased from $86,689,000 at September 30, 2018 to $89,433,000 at September 30, 2019.

For fiscal year 2019, deferred inflow of resources represents pension obligations in the amount of $8,428,000 and for OPEB of $3,242,000.

For fiscal year 2018, deferred inflow of resources represents pension obligations in the amount of $7,793,000. The University implemented GASB 75 during fiscal year 2018, which resulted in deferred inflows of resources from OPEB obligations of $7,915,000.

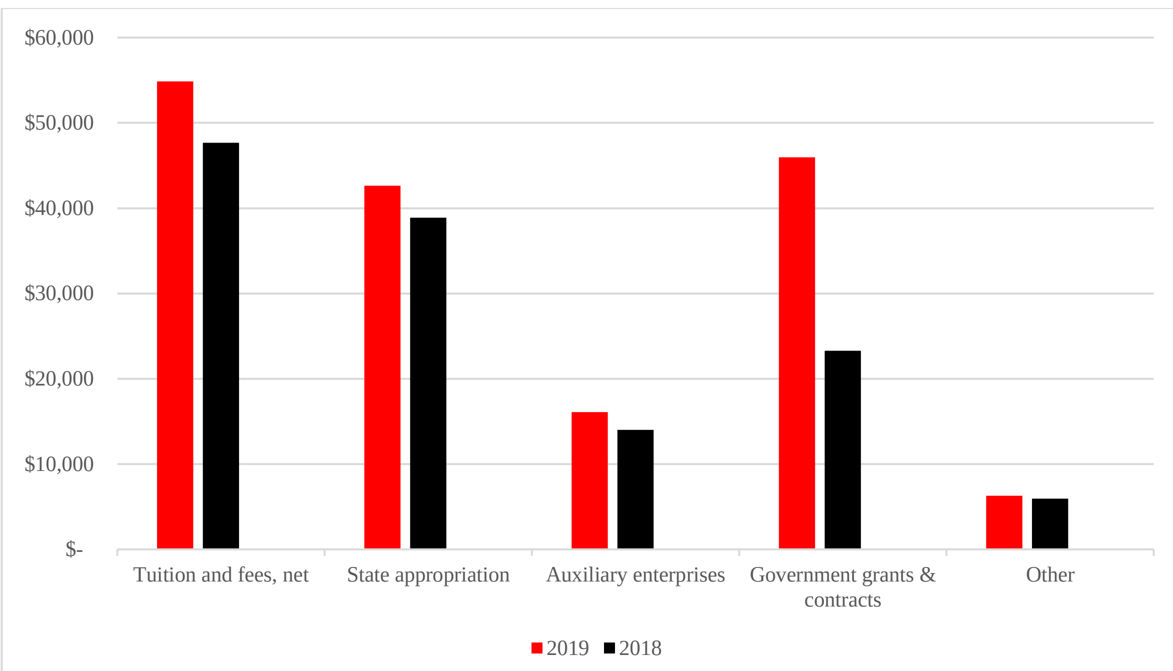
Statement of Revenues, Expenses and Changes in Net Position

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

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

	2019	2018
Operating Revenues	$ 104,922	$ 75,777
Operating Expenses	(137,667)	(151,004)
Operating Loss	(32,745)	(75,227)
Net Nonoperating Revenues	71,736	122,431
Income Before Other Revenue, Expenses, Gains, or Losses	38,991	47,204
Other Revenue, Expenses, Gains, or Losses	3,764	12,285
Change in Net Position	42,755	59,489
Net Position at Beginning of Year	19,972	(39,517)
Net Position at End of Year	$ 62,727	$ 19,972

Operating and Nonoperating Revenues by Year ($ in thousands)

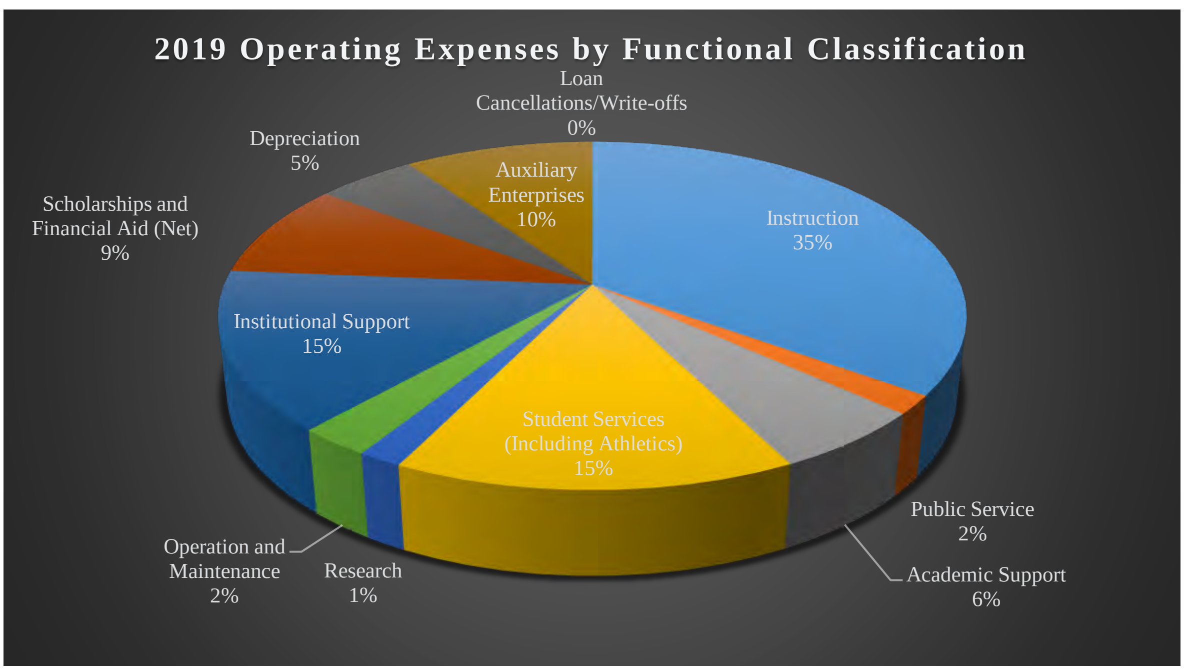


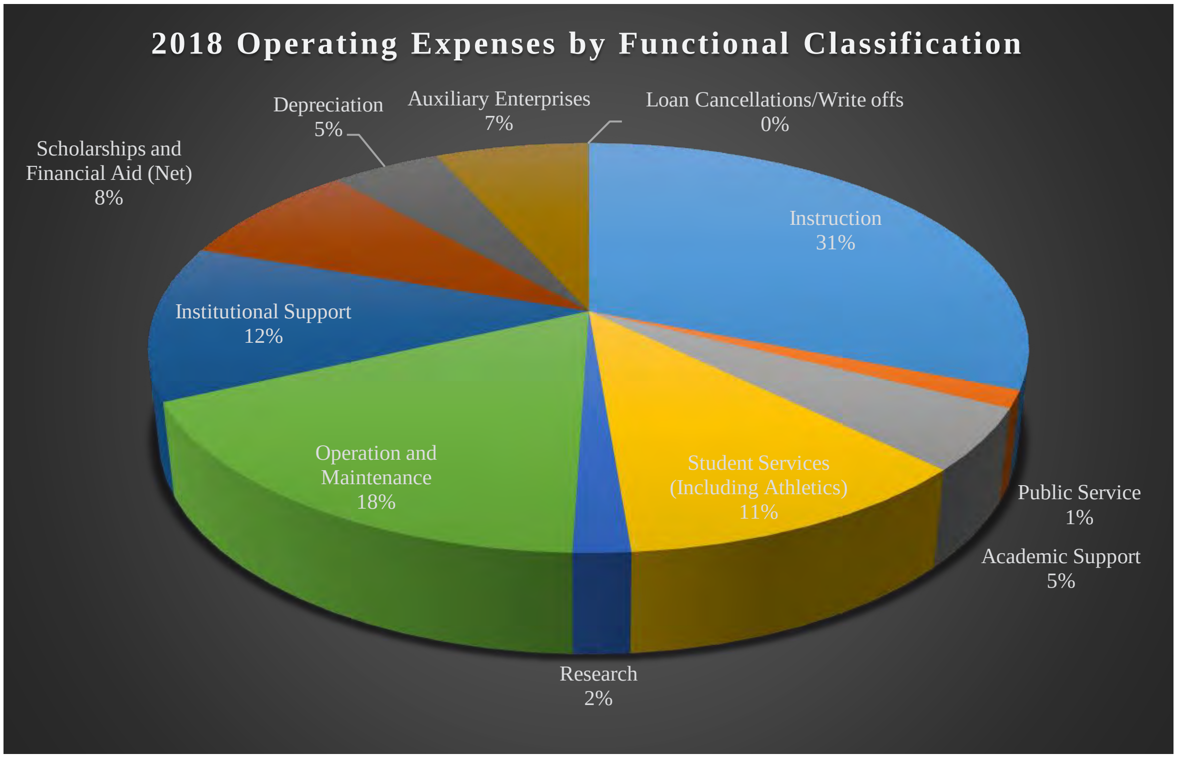
The Statement of Revenues, Expenses and Changes in Net Position for 2019 reflects an overall increase in net position of $42,755,000. Gross student tuition and fee revenue totaled $79,978,000 in 2019 as compared to $72,873,000 in 2018, an increase of $7,105,000. Grant and contract revenue from government sponsors totaled $45,962,000 for 2019, as compared to $23,285,000 in 2018. State appropriation increased by $3,720,000 or 9.5% from $38,898,000 in 2018 to $42,618,000 in 2019. Auxiliary revenues increased by $2,080,000 or 14.8% from $14,000,000 in 2018 to $16,080,000 in 2019. This increase is primarily attributable to housing and meal plans.

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

Operating Expenses
Functional Classification ($ in thousands)

	2,019	%	2018	%
Instruction	$ 48,213	35.0%	$ 46,909	31.1%
Public Service	2,371	1.7%	2,054	1.4%
Academic Support	7,999	5.8%	7,409	4.9%
Student Services (Including Athletics)	20,251	14.8%	17,189	11.4%
Research	2,256	1.6%	2,691	1.8%
Operation and Maintenance	3,704	2.7%	26,487	17.5%
Institutional Support	20,288	14.7%	18,489	12.2%
Scholarships and Financial Aid (Net)	12,148	8.8%	12,429	8.2%
Depreciation	7,090	5.2%	7,184	4.8%
Auxiliary Enterprises	13,347	9.7%	10,130	6.7%
Loan Cancellations/Write-offs	-	0.0%	33	0.0%
	$ 137,667	100.0%	$ 151,004	100.0%



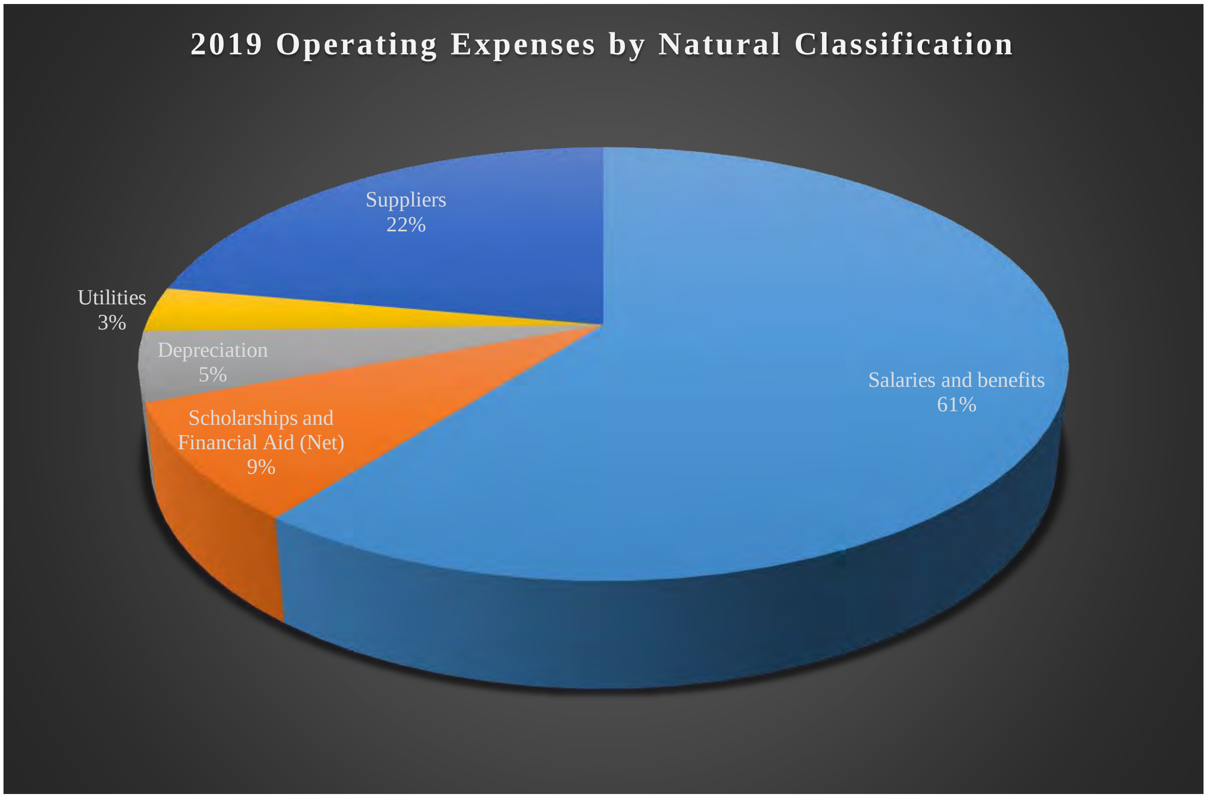


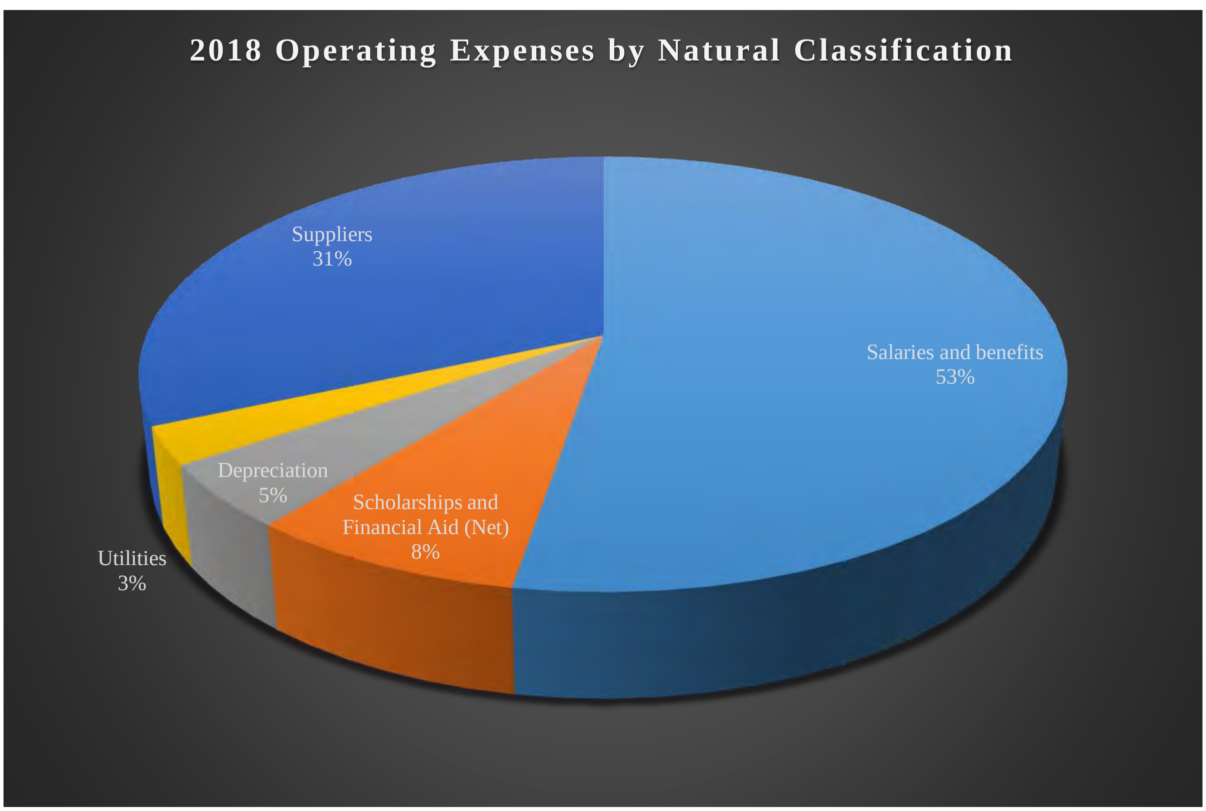
For fiscal year 2019, total operating expenses decreased by $13,337,000 or 8.8% primarily due to expense to suppliers (slowing down of tornado recovery expenses) decreasing by $15,774,000 and salaries and benefits increasing by $2,826,000 or 3.5%. For fiscal year 2018, total operating expenses increased by $9,181,000 or 7% primarily due to pension expense increasing by $2,548,000 and salaries and benefits increasing by $3,136,000 or 4.05%.

Operating Expenses
Natural Classification ($ in Thousands)

	2019	%	2018	%
Salaries and Benefits	$ 83,336	60.5%	$ 80,510	53.3%
Scholarships and Financial Aid (Net)	12,148	8.8%	12,429	8.2%
Depreciation	7,090	5.2%	7,184	4.8%
Utilities	4,624	3.4%	4,638	3.1%
Suppliers	30,469	22.1%	46,243	30.6%
	$ 137,667	100.0%	$ 151,004	100.0%

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





A portion of University resources applied to student accounts for tuition, fees, or room and board are not reported as student aid expense, but are reported in the financial statements as a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Scholarship allowances totaled $27,665,000 in 2019 and $25,210,000 in 2018. In addition to the allowances, students participate in governmental financial aid/loan programs. The loans are neither recorded as revenue or expense in the financial statements, but are recorded in the Statements of Cash Flows as direct lending receipts totaling $48,272,000 and $30,545,000 in 2019 and 2018, respectively.

Condensed Statements of Cash Flows
($ in thousands)

	2019	2018
Net Cash Flows From:		
Operating Activities	$ (48,527)	$ (48,294)
Noncapital Financing Activities	68,855	47,849
Capital and Related Financing Activities	(12,776)	(24,119)
Investing Activities	4,800	11,059
Net Change in Cash	12,352	(13,505)
Cash and Cash Equivalents, Beginning of Year	35,659	49,164
Cash and Cash Equivalents, Ending of Year	$ 48,011	$ 35,659

During fiscal year 2019, the University's total cash balance increased by $12.3 million. During fiscal year 2018, the University's total cash balance decreased by $13.5 million.

Capital and Debt Activities

Construction in progress at September 30, 2019 totaled $65,650,000 and included the following major projects: Mason Hall, Houston Cole Library, and multiple buildings undergoing major repairs from damage sustained from the EF-3 tornado.

Construction in progress at September 30, 2018 totaled $56,281,000 and included the following major projects: Baseball complex and multiple buildings undergoing major repairs from damage sustained from the EF-3 tornado.

Debt and Capital Leases

At September 30, 2019, total debt outstanding, including capital leases (if any), totaled $89,433,000.

At September 30, 2018, total debt outstanding, including capital leases (if any), totaled $86,689,000.

The University has an "A-" Stable credit rating from Standard and Poor's. This rating was affirmed on December 12, 2019.

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

Other Economic and Financial Conditions

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

OPEB Liability

GASB Statements 74 & 75 require the University to calculate and record a liability for postemployment benefits other than pensions. This calculation uses prescribed assumptions which will significantly impact the total liabilities and net position of the University for FY2019 and beyond.

Tornado Damage and Recovery Effects

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

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

FEMA Reimbursements

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

Capital Contributions

On July 23, 2018, the Health Care Authority of the City of Anniston donated property located on Highway 21 in Jacksonville, Alabama to the University. Having this property available to the University provided much needed space for the School of Health, Professions and Wellness.

Jacksonville State University
Statement of Net Position (in thousands)
September 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 48,011	$ 35,659
Accounts Receivable, Net of Allowance for Doubtful Accounts of $1,801 and $897	47,750	58,827
Prepaid Expenses and Unearned Scholarships	15,040	13,401
Investments	-	1,034
Total Current Assets	110,801	108,921
Noncurrent Assets		
Notes Receivable, Net of Allowance for Doubtful Accounts of $126 and $126	1,854	197
Deposit with Bond Trustee	1,181	1,137
Investments	5,847	8,802
Investment in Real Estate	55	55
Land	7,014	6,315
Capital Assets	375,160	323,304
Less: Accumulated Depreciation	(151,503)	(146,553)
Total Noncurrent Assets	239,608	193,257
Total Assets	350,409	302,178
Deferred Outflow of Resources		
Deferred Outflows of Resources Related to Refunding of Debt	4,983	5,359
Deferred Outflows of Resources Related to OPEB	3,386	1,722
Deferred Outflows of Resources Related to Pensions	16,219	11,506
Total Deferred Outflows of Resources	24,588	18,587

The accompanying notes are an integral part of these financial statements.

Jacksonville State University
Statement of Net Position (in thousands)
September 30, 2019 and 2018

	2019	2018
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 23,682	$ 27,703
Wages Payable	4,301	3,920
Student Deposits	-	16
Unearned Revenue	42,675	37,708
Compensated Absences	943	845
Bonds Payable	4,304	4,184
Capital Lease Payable	-	69
Tuition Paid in Advance	54	50
Total Current Liabilities	75,959	74,495
Noncurrent Liabilities		
Compensated Absences	1,275	1,493
Bonds Payable	72,182	76,486
Capital Lease Payable	-	3
Due to State of Alabama	12,947	5,947
Deposits Held in Custody	692	1,376
Net Pension Liability	77,586	73,194
Net OPEB Liability	59,959	52,091
Total Noncurrent Liabilities	224,641	210,590
Total Liabilities	300,600	285,085
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	8,428	7,793
Deferred Inflows of Resources Related to OPEB	3,242	7,915
Total Deferred Inflows of Resources	11,670	15,708
Net Position		
Net Investment in Capital Assets	145,491	109,630
Restricted:		
Nonexpendable	963	949
Expendable:		
Scholarships and Fellowships	12,683	8,618
Loans	2,779	2,638
Debt Service	1,180	1,147
Capital Projects	-	627
Unrestricted (Deficit)	(100,369)	(103,637)
Total Net Position	$ 62,727	$ 19,972

The accompanying notes are an integral part of these financial statements.

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and Cash Equivalents	$ 2,444,940	$ 2,671,264
Cash-Restricted Project Funds	8,142,963	35,864,313
Cash-Restricted Capital Interest Funds	1,865,201	3,049,770
Prepaid Insurance	13,867	5,442
Investments	36,576,056	35,199,600
Charitable Remainder Trusts, Restricted	1,091,047	1,184,078
Unconditional Promises to Give, Net	749,478	938,363
Note Receivable from JSUF Real Estate Holding Co., LLC	20,916	20,916
Oher Receivables	-	41,055
Property and Equipment, Net	38,333,083	7,792,849
Total Assets	$ 89,237,551	$ 86,767,650
Liabilities		
Accounts Payable	$ 2,114,773	$ 1,187,788
Charitable Trusts	193,316	216,892
Refundable Advances	1,889,583	1,953,505
Pre-opening Expenses Deposit	459,000	-
Bonds Payable	44,910,435	44,934,318
Accrued Interest on Bonds Payable	912,669	309,293
Total Liabilities	50,479,776	48,601,796
Net Assets		
Without Donor Restriction	3,304,292	908,175
With Donor Restrictions	35,453,483	37,257,679
Total Net Assets	38,757,775	38,165,854
Total Liabilities and Net Assets	$ 89,237,551	$ 86,767,650

The accompanying notes are an integral part of these financial statements.

Jacksonville State University
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
For the Years Ended September 30, 2019 and 2018

	2019	2018
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of $27,665 and $25,210	$ 52,313	$ 47,663
Federal Grants and Contracts	27,989	6,601
State and Local Grants and Contracts	3,343	2,965
Nongovernmental Grants and Contracts	2,405	2,180
Sales and Services of Educational Departments	63	81
Athletic Income	2,307	2,094
Other Operating Revenues	422	193
Auxiliary Enterprises:		
Residential Life	8,301	7,273
Sales and Service	7,779	6,721
Other	-	6
Total Operating Revenues	104,922	75,777
Operating Expenses		
Instruction	48,213	46,909
Public Service	2,371	2,054
Academic Support	7,999	7,409
Student Services, Including Athletics	20,251	17,189
Research	2,256	2,691
Operation and Maintenance	3,704	26,487
Institutional Support	20,288	18,489
Scholarships and Financial Aid	12,148	12,429
Depreciation	7,090	7,184
Auxiliary Enterprises	13,347	10,130
Other	-	33
Total Operating Expenses	137,667	151,004
Operating Loss	(32,745)	(75,227)

(Continued on following page)

The accompanying notes are an integral part of these financial statements.

Jacksonville State University
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
For the Years Ended September 30, 2019 and 2018

(Continued from previous page)

	2019	2018
Nonoperating Revenues and Expenses		
State Appropriations	42,618	38,898
Federal Grants	14,630	13,719
Investment Income	855	1,172
Bond Fees	-	(24)
Loss on Disposal of Capital Assets	(936)	(9)
Rental of Facilities	239	221
Other Nonoperating Revenue	-	21
Interest on Debt	(2,832)	(2,963)
Insurance Recovery Income- Tornado Damage	17,162	71,367
Insurance Recovery Income- Other	-	29
Net Nonoperating Revenues and Expenses	71,736	122,431
Change in Net Position Before Capital Contributions	38,991	47,204
Capital Contributions Received	3,764	12,285
Change in Net Position	42,755	59,489
Total Net Position - Beginning of Year	19,972	(39,517)
Total Net Position - End of Year	$ 62,727	$ 19,972

The accompanying notes are an integral part of these financial statements.

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support			
Contributions	$ 107,309	$ 2,640,803	$ 2,748,112
Net Investment Income	(46,058)	(890,248)	(936,306)
In-kind Gifts	1,778,473	18,658	1,797,131
Other Income	31,981	553,878	585,859
Management Fee Income	348,633	-	348,633
Service Fee Income	1,104,000	-	1,104,000
Total Revenue, Gains, and Support	3,324,338	2,323,091	5,647,429
Net Assets Released from Restrictions	4,127,287	(4,127,287)	-
Net Revenue, Gains, and Support	7,451,625	(1,804,196)	5,647,429
Expenses			
Program Services	4,616,691	-	4,616,691
Fundraising	341,894	-	341,894
Management and General	96,923	-	96,923
Total Expenses	5,055,508	-	5,055,508
Change in Net Assets	2,396,117	(1,804,196)	591,921
Net Assets - Beginning of Year	908,175	37,257,679	38,165,854
Net Assets - End of Year	$ 3,304,292	$ 35,453,483	$ 38,757,775

The accompanying notes are an integral part of these financial statements.

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Activities
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support			
Contributions	$ -	$ 1,608,552	$ 1,608,552
Net Investment Income	17,879	3,053,071	3,070,950
In-kind Gifts	316,549	45,209	361,758
Other Income	-	628,377	628,377
Management Fee Income	305,929	-	305,929
Service Fee Income	734,000	-	734,000
Total Revenue, Gains, and Support	1,374,357	5,335,209	6,709,566
Net Assets Released from Restrictions	3,008,366	(3,008,366)	-
Net Revenue, Gains, and Support	4,382,723	2,326,843	6,709,566
Expenses			
Program Services	3,652,982	-	3,652,982
Fundraising	37,870	-	37,870
Management and General	127,405	-	127,405
Total Expenses	3,818,257	-	3,818,257
Change in Net Assets	564,466	2,326,843	2,891,309
Net Assets - Beginning of Year	343,709	34,930,836	35,274,545
Net Assets - End of Year	$ 908,175	$ 37,257,679	$ 38,165,854

The accompanying notes are an integral part of these financial statements.

Jacksonville State University
Statement of Cash Flows (in thousands)
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Tuition and Fees	$ 54,257	$ 47,731
Federal Grants and Contracts	5,099	400
State and Local Grants and Contracts	6,034	6,470
Sales and Services of Educational Departments	63	81
Athletic Income	2,296	2,084
Auxiliary	17,349	14,062
Other Operating Revenues	422	193
Payments to Suppliers	(34,112)	(25,329)
Payments for Utilities	(5,166)	(4,237)
Payments for Employees	(61,128)	(58,875)
Payments for Benefits	(21,496)	(18,536)
Payments for Scholarships	(12,145)	(12,338)
Net Cash Flows From Operating Activities	(48,527)	(48,294)
Cash Flows from Noncapital Financing Activities		
State and Local Appropriations	42,618	38,898
Federal Grants	19,592	10,889
Federal Direct Loan Receipts	48,272	30,545
Federal Direct Loan Disbursements	(41,182)	(36,969)
Advance to JSU Foundation	-	4,307
Deposit Held for Others	(684)	(62)
Other Nonoperating Activities	239	241
Net Cash Flows From Noncapital Financing Activities	68,855	47,849
Cash Flows From Capital and Related Financing Activities		
Other Financing Source – Proceeds of Loan	7,000	5,947
Other Financing Source – Proceeds from Insurance Recovery	38,887	42,000
Capital Grants and Gifts	3,764	12,285
Principal Paid on Capital Debt	(3,965)	(3,564)
Payments on Capital Leases	(72)	(57)
Purchases of Capital Assets and Construction	(55,631)	(77,900)
Bond Issuance Costs	-	(24)
Interest Paid on Capital Debt	(2,759)	(2,806)
Net Cash Flows From Capital and Related Financing Activities	(12,776)	(24,119)

(Continued on following page)

The accompanying notes are an integral part of these financial statements.

Jacksonville State University
Statement of Cash Flows (in thousands)
For the Years Ended September 30, 2019 and 2018

(Continued from previous page)

	2019	2018
Cash Flows From Investing Activities		
Investment Income	739	1,172
Proceeds from Sale and Maturity of Investments	4,061	18,351
Purchase of Investments	-	(8,464)
Net Cash Flows From Investing Activities	4,800	11,059
Net Change in Cash and Cash Equivalents	12,352	(13,505)
Cash and Cash Equivalents - Beginning of Year	35,659	49,164
Cash and Cash Equivalents - End of Year	$ 48,011	$ 35,659

Reconciliation of Operating Loss to Net Cash Flows From Operating Activities		
Operating Loss	$ (32,745)	$ (75,227)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:		
Provision for Doubtful Accounts	904	(113)
Depreciation Expense	7,090	7,184
Changes in Assets, Liabilities, and Deferrals:		
Change in Accounts Receivable	(22,648)	(6,262)
Change in Prepaid Expenses and Unearned Scholarships	(1,639)	(9)
Change in Notes Receivable	(1,657)	8
Change in Compensated Absences	(120)	404
Change in Payables	(3,556)	22,942
Change in Other Liabilities	(16)	-
Change in Pension Related Deferrals and Liabilities	314	281
Change in OPEB Related Deferrals and Liabilities	1,531	977
Change in Unearned Revenue	4,015	1,521
Net Cash Flows From Operating Activities	$ (48,527)	$ (48,294)

Noncash Investing, Capital, and Financing Activities:

The University held investments with a fair value of $7,083 at September 30, 2019. During the year ended September 30, 2019, the net change in the fair value of these securities was $72.

The University held investments with a fair value of $11,028 at September 30, 2018. During the year ended September 30, 2018, the net change in the fair value of these securities was $66.

During the years ended September 30, 2019 and 2018, the University received noncash contributed assets of $3,764 and $12,285, respectively.

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF 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 more significant accounting policies of Jacksonville State University are described below.

A. 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. The Governmental Accounting Standards Board (GASB) in Statement No. 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama. 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.

B. Component Units

The Foundation's financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements for these differences. Significant note disclosures (see Note 20) to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

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

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

Jacksonville State University follows all applicable GASB pronouncements as well as the following pronouncements unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

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

The Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the University's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

1. Deposits and Investments

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

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

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period.

2. Receivables

Accounts receivable relate to amounts due from students for tuition and fee billings, federal grants, state appropriations, third party tuition, and auxiliary enterprise sales. Notes receivable reflect amounts due from students for institutional loans collected by the University. The receivables are shown net of allowance for doubtful accounts.

3. Capital Assets

Equipment, furniture, and vehicles with a unit cost over $5,000 and an estimated useful life in excess of one year; buildings and 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 books, 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 million, 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 is not capitalized.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* was implemented during 2018 (See Note 1-16). Interest expense related to on-going capitalized assets was therefore expensed during the year and not capitalized as in previous years. The statement was implemented prospectively per guidance, therefore there was no restatement of prior year capitalized amounts.

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 using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight Line	40 Years
Improvements Other Than Buildings	Straight Line	5 Years
Equipment:		
Furniture, Office Equipment, Automobiles, Computer Hardware and Software, Cameras	Straight Line	4 Years
Athletic Equipment, Grounds Equipment	Straight Line	8 Years
Library Materials	Composite	8 Years
Capitalized Software	Straight Line	8 Years
Internally-Generated Computer Software	Straight Line	8 Years
Easement and Land Use Rights	Straight Line	20 Years
Patents, Trademarks, and Copyrights	Straight Line	20 Years

4. Long-Term Obligations

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.

5. 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 the following rates:

Years of Employment	Number of Days Each Year	Maximum Days Accumulation
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.

6. 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.

7. Unearned Revenue

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

8. Deferred Outflows of Resources

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

9. Deferred Inflows of Resources

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

10. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets - Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

Restricted:

Nonexpendable - Net position subject to externally imposed stipulations that it be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted - Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of investment in capital assets, net of related debt, or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Trustees.

11. Change in Accounting Principle

During the year ended September 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement revises existing standards for measuring and reporting retiree health benefits provided by the University to its employees. The University is required to recognize a liability equal to the net retiree health benefit liability. The implementation of GASB 75 resulted in beginning Net Position restated as follows:

Net Position October 1, 2017	$ 17,768,858
Adoption of GASB 75	(57,285,640)
Net Position October 1, 2017 as Restated	$ (39,516,782)

12. 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).

13. Scholarship Allowances and Student Aid

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

14. Pensions

The Teachers’ Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized 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 the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State’s Comprehensive Annual Financial Report.

15. 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. Subsequent events were evaluated by management through the date the financial statements were issued.

16. Recent Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement establishes requirements for accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. This statement is effective for periods beginning after June 15, 2017. The University adopted this standard during the fiscal year ending September 30, 2018 (see Note 1.D.11).

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The University adopted this standard during the fiscal year ending September 30, 2018 and notes the change did not have a material effect at the financial statement level.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. The University adopted this standard during the fiscal year ending September 30, 2018 and notes the change did not have a material effect at the financial statement level.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The University adopted this standard during the fiscal year ending September 30, 2018 and notes the change did not have a material effect at the financial statement level.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively. The University early-implemented this statement during the fiscal year ending September 30, 2018 and notes the change did not have a material effect at the financial statement level.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

17. Subsequent Events

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through the date of the auditor’s report, which was the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of schools and universities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Board expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The University's deposits in banks at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. At September 30, 2019 and 2018, JSU deposits held by financial institutions participating in the SAFE program totaled $12,152,073 and $12,167,434, respectively. The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. 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 investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of the University’s operational funds. The University Investment Policy requires that management apply the “prudent person” standard in the context of managing its investment portfolio.

The University is allowed to hold donated investments, such as stocks, mutual funds, and real estate in accordance with donor stipulations. These investments are maintained separately from other University investments.

Certificates of deposit and commercial paper are measured using cost-based measures as provided by GASB 31.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at September 30, 2019:

		Fair Value Measurements Using	
Investments	Fair Value	Level 1 Inputs	Level 3 Inputs
Bonds			
Mutual Funds	$ 5,654,111	$ 5,654,111	$ -
Stocks	180,802	180,802	-
Real Estate	54,637	-	54,637
	$ 5,889,550	$ 5,834,913	$ 54,637
Investments Valued Using Cost-Based Measures			
Certificates of Deposit	12,500		
Total Investments	$ 5,902,050		

Investments' fair value measurements are as follows at September 30, 2018:

		Fair Value Measurements Using	
Investments	Fair Value	Level 1 Inputs	Level 3 Inputs
Bonds	$ 5,220,539	$ 5,220,539	$ -
Mutual Funds	5,558,325	5,558,325	-
Stocks	181,918	181,918	-
Real Estate	54,637	-	54,637
	$ 11,015,419	$ 10,960,782	$ 54,637
Investments Valued Using Cost-Based Measures			
Certificates of Deposit	12,500		
Total Investments	$ 11,027,919		

The investments shown above that are categorized as Level 1 are valued based on prices quoted in active markets for those securities. The investments shown above that are categorized as Level 3 are valued using a capitalization of earnings cash flow technique under the income approach.

During the year ended September 30, 2019, the University realized losses of $63,726 from the disposal of investments. During the year ended September 30, 2018, the University realized gains of $1,856,482 from the disposal of investments. The calculation of realized losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University had unrealized gains during the years ended September 30, 2019 and 2018 of $61,998 and $65,614, respectively.

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 below 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, 2019, the University did not have any investments subject to interest rate risk.

At September 30, 2018, the University had the following investments subject to interest rate risk:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1 Year	1-5	6-10	Thereafter
Bonds	$5,220,539	$2,170,860	$3,049,679	$ -	$ -
Total	$5,220,539	$2,170,860	$3,049,679	$ -	$ -

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. As of September 30, 2019 and 2018, the University's investments were rated as follows:

Investment Type	Rating	2019 Fair Value	2018 Fair Value
Bonds	AAA	$ -	$5,220,539

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The University 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, 2019, the University had $4,427,058 in mutual funds issued by Ameriprise Financial and $996,081 in a Large Cap Value Fund issued by Legg Mason Global Asset Management. At September 30, 2018, the University had $4,343,675 in mutual funds issued by Ameriprise Financial, $959,060 in a Large Cap Value Fund issued by Legg Mason Global Asset Management and $4,083,839 in bonds with Regions Bank.

For the University Trustee that Holds Bond Funds

At September 30, 2019 and 2018, the University had $1,180,506 and $1,136,700, respectively, in accounts administered by its bond trustee. In accordance with the covenants of the University's Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

NOTE 3 - RECEIVABLES

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

	2019	2018
Accounts Receivable:		
Federal	$ 27,463,472	$ 16,372,332
State	12,848,573	37,015,656
Other	3,987,592	1,562,681
Student Accounts Receivable	5,252,096	4,773,031
Less: Allowance for Doubtful Accounts	(1,801,872)	(896,719)
Total Accounts Receivable, Net	47,749,861	58,826,981
Notes Receivable:		
Loans	1,980,096	322,584
Less: Allowance for Doubtful Accounts	(125,617)	(125,645)
Total Notes Receivable, Net	1,854,479	196,939
Total Receivables, Net	$ 49,604,340	$ 59,023,920

NOTE 4 - CAPITAL ASSETS

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

	Balance 10/1/2018	Additions	Deductions	Transfers	Balance 9/30/2019
Non-depreciable Assets:					
Land	$ 6,315,379	$ 91,520	$ -	$ 607,340	$ 7,014,239
Construction in Progress	56,280,766	49,218,306	(672,214)	(39,177,155)	65,649,703
Depreciable Assets:					
Buildings	210,552,794	3,994,038	(1,598,312)	38,569,815	251,518,335
Improvements Other than Buildings	16,346,011	870,609	(390,124)	-	16,826,496
Equipment	20,494,566	1,770,210	(768,441)	-	21,496,335
Library Holdings	19,629,392	358,888	(319,533)	-	19,668,747
Total Capital Assets	329,618,908	56,303,571	(3,748,624)	-	382,173,855
Accumulated Depreciation:					
Buildings	97,895,042	4,432,656	(675,474)	-	101,652,224
Improvements Other than Buildings	12,730,758	934,547	(390,124)	-	13,275,181
Equipment	17,879,356	1,331,067	(755,049)	-	18,455,374
Library Holdings	18,047,789	391,823	(319,532)	-	18,120,080
Total Accumulated Depreciation	146,552,945	7,090,093	(2,140,179)	-	151,502,859
Total Capital Assets, Net	$ 183,065,963	$ 49,213,478	$ (1,608,445)	$ -	$ 230,670,996

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 10/1/2017	Additions	Deductions	Transfers	Balance 9/30/2018
Non-depreciable Assets:					
Land	$ 4,923,579	$ 1,391,800	$ -	$ -	$ 6,315,379
Construction in Progress	15,102,855	56,125,914	-	(14,948,003)	56,280,766
Depreciable Assets:					
Buildings	176,299,396	22,464,759	-	11,788,639	210,552,794
Improvements Other than Buildings	12,271,288	915,359	-	3,159,364	16,346,011
Equipment	20,438,577	1,164,295	(1,108,306)	-	20,494,566
Library Holdings	19,484,749	409,873	(265,230)	-	19,629,392
Total Capital Assets	248,520,444	82,472,000	(1,373,536)	-	329,618,908
Accumulated Depreciation:					
Buildings	88,833,717	9,061,325	-	-	97,895,042
Improvements Other than Buildings	11,910,942	819,816	-	-	12,730,758
Equipment	17,673,216	1,305,029	(1,098,889)	-	17,879,356
Library Holdings	17,896,900	416,119	(265,230)	-	18,047,789
Total Accumulated Depreciation	136,314,775	11,602,289	(1,364,119)	-	146,552,945
Total Capital Assets, Net	$ 112,205,669	$ 70,869,711	$ (9,417)	$ -	$ 183,065,963

NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of 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. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 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 3 of the last 10 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 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

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

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

Participating employers' contractually required contribution rate for the years ended September 30, 2019 and 2018 was 12.43% and 12.41%, respectively, of annual pay for Tier 1 members and 11.34% and 11.35%, respectively, of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability.

Total employer contributions to the pension plan from the University were $6,696,670 and $6,264,121, respectively, for the years ended September 30, 2019 and 2018.

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

At September 30, 2019 and 2018, the University reported a liability of $77,586,000 and $73,194,000, respectively, for its proportionate share of the collective net pension liability. The 2019 collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018 using standard roll forward techniques. The 2018 collective net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, rolled forward to September 30, 2017 using standard roll forward techniques. 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, 2018, the University's proportion was .780%, which was an increase of .036% from its proportion measured as of September 30, 2017. At September 30, 2017, the University's proportion was .745%, which was a decrease of .003% from its proportion measured as of September 30, 2016.

For the years ended September 30, 2019 and 2018, the University recognized pension expense of $7,011,000 and $6,545,000, respectively. At September 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,674,000	$ 2,363,000	$ -	$ 3,138,000
Changes of Assumptions	4,313,000	-	4,369,000	-
Net Difference Between Projected & Actual Earnings on Pension Plan Investments	-	5,856,000	-	4,376,000
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	3,535,000	209,000	873,000	279,000
Employer Contributions Subsequent to the Measurement Date	6,696,670	-	6,264,121	-
Total	$ 16,218,670	$ 8,428,000	$ 11,506,121	$ 7,793,000

$6,696,670 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 ended September 30, 2019. 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 Ended September 30,	
2020	$ 1,600,000
2021	(704,000)
2022	(741,000)
2023	667,000
2024	272,000
Thereafter	-
Total	$ 1,094,000

E. Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of September 30, 2017 and September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

	2017	2016
Inflation	2.75%	2.75%
Investment rate of return*	7.70%	7.75%
Projected salary increases	3.25% - 5.00%	3.25% - 5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

For the 2017 valuation, post retirement mortality rates for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016, were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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 for actuarial valuations as of September 30, 2017 and September 30, 2016:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

**Includes assumed rate of inflation of 2.50%.*

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70% in 2019 and 7.75% in 2018. 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability as of September 30, 2019 calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
University's proportionate share of collective net pension liability	$108,000,000	$77,586,000	$51,860,000

The following table presents the University's proportionate share of the net pension liability as of September 30, 2018 calculated using the discount rate of 7.75%, 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 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of collective net pension liability	$100,958,000	$73,194,000	$49,708,000

H. 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, 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2018. The auditor's report as of September 30, 2018 dated September 17, 2019 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities along with supporting schedules are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 6 – TEACHERS' INSURANCE AND ANNUITY ASSOCIATION – COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

Regular full-time employees that 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 that opt to contribute to the plan for an additional 2 – 4%.

Participants become immediately vested and are eligible for distributions upon severance from employment, upon incurring a disability, upon hardship, and upon attainment of age 59 ½. Distributions may be in the form of lump sum payments or through the purchase of an annuity contract. Employee contributions to the plan during the years ended September 30, 2019 and 2018 were $1,900,987 and $1,876,540, respectively. Jacksonville State University contributed $1,504,608 under this plan for the year ended September 30, 2019 and $1,490,119 for the year ended September 30, 2018. At September 30, 2019 and 2018, the University had payables of $245,266 and $263,343, respectively, due to TIAA-CREF, which were included in accounts payable and accrued liabilities on the Statement of Net Position.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. 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 Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

B. Benefits provided

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

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

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

Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions. PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. 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.

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.

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

At September 30, 2019, the University reported a liability of $59,959,061 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2018, the University's proportion was .70%, which was a decrease of .03% from its proportion measured as of September 30, 2017.

For the year ended September 30, 2019, the University recognized OPEB expense of $3,710,217, with no special funding situations.

At September 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 1,128,846	$ -	$ -	$ -
Changes of Assumptions	-	2,920,560	-	5,408,651
Net Difference Between Projected & Actual Earnings on Pension Plan Investments	-	321,260	-	277,339
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	147,014	-	-	2,228,714
Employer Contributions Subsequent to the Measurement Date	2,110,331	-	1,721,996	-
Total	$ 3,386,191	$ 3,241,820	$ 1,721,996	$ 7,914,704

$2,110,331 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2019. 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 Ended September 30,	
2020	$ (693,049)
2021	(693,049)
2022	(693,049)
2023	(620,926)
2024	561,747
Thereafter	172,366
Total	$ (1,965,960)

E. Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases *	3.25% - 5.00%
Long-Term Investment Rate of Return **	7.25%
Municipal Bond Index Rate at the Measurement Date	4.18%
Municipal Bond Index Rate at the Prior Measurement Date	3.57%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2029
Singe Equivalent Interest Rate the Measurement Date	4.44%
Singe Equivalent Interest Rate the Prior Measurement Date	4.63%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00%
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2024-2026

**Includes 3.00% wage inflation*
***Compounded annually, net of investment expense, and includes inflation*

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

There were no ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, during fiscal year 2019.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2017 valuation were based on a review of recent plan experience done concurrently with the September 30, 2017 valuation.

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

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

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

*Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2018 was 4.44%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.63%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.25% of the employer contributions were used to assist in funding retiree benefit payments in 2018 and it is assumed that the amount will increase by 3.00% per year and continue into the future. 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. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long term rate of return is used until the assets are expected to be depleted in 2029, after which the municipal bond rate is used.

G. Sensitivity of the University proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table presents the University 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 (6.00% decreasing to 3.75% for pre-Medicare, 4.00% decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre-Medicare, 5.00% decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% decreasing to 5.75% for pre-Medicare, 6.00% decreasing to 5.75% for Medicare Eligible)
2019 Plan's Net OPEB Liability	$ 49,287,713	$ 59,959,061	$ 73,545,175

	1% Decrease (6.75% decreasing to 4% for pre-Medicare, 4% for Medicare Eligible, 1% for Optional Plans)	Current Healthcare Trend Rate (7.75% decreasing to 5% for pre-Medicare, 5% for Medicare Eligible, 2% for Optional Plans)	1% Increase (8.75% decreasing to 6% for pre-Medicare, 6% for Medicare Eligible, 3% for Optional Plans)
2018 Plan's Net OPEB Liability	$ 42,057,670	$ 52,091,455	$ 1,169,451

The following table presents the University proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.63%, 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 3.44%	Current Discount Rate 4.44%	1% Increase 5.44%
2019 Plan's Net OPEB Liability	$ 71,625,633	$ 59,959,061	$ 50,548,294

	1% Decrease 3.63%	Current Discount Rate 4.63%	1% Increase 5.63%
2018 Plan's Net OPEB Liability	$ 62,967,732	$ 52,091,455	$ 43,421,704

H. OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2017. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2017. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Jacksonville State University's non-tornado related construction project commitments as of September 30, 2019 was estimated at $2,100,000 consisting primarily of improvements to Stephenson Hall and domestic water line to the Houston Cole Library. Jacksonville State University's non-tornado related construction project commitments as of September 30, 2018 were estimated at $5,800,000 consisting primarily of the auxiliary gym improvements, window replacement and various heating, ventilation and air conditioning projects.

Jacksonville State University was awarded approximately $13,303,814 and $14,251,007, as of September 30, 2019 and 2018, respectively, 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 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 including website development and maintenance, and management and staffing of the fitness and wellness center. In exchange for these services, the University has committed to annual fees to be paid to the Foundation through October 31, 2062. The annual fee of $3,788,000 for fiscal year 2020 is due in equal installments on March 1 and September 1.

The University is in the process of completing reconstruction and replacement of assets damaged during the March 19, 2018 storms (see Note 18).

Jacksonville State University has committed $9,343,004 for completing repairs to various buildings that sustained damage. In addition, the University has committed $47,000,000 to the replacement of Merrill Hall and $8,000,000 replace the School of Health Professions and Wellness that was housed in Wallace Hall. The sources of funds for these storm related commitments is insurance, emergency management resources, and University funds.

The future of Wallace Hall is uncertain and dependent on Alabama Department of Risk Management and Federal Emergency Management Agency determinations.

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable and accrued liabilities represent amounts due at September 30, 2019 and 2018, for goods and services received prior to the end of the fiscal year.

Accounts Payable:	2019	2018
Salaries and Wages	$ 4,301,193	$ 3,919,879
Benefits	2,773,036	2,322,412
Payroll Taxes	1,354,941	1,247,143
Interest Payable	841,640	925,509
Other	18,712,625	23,208,345
Total Accounts Payable	27,983,435	31,623,288

NOTE 10 – CAPITAL LEASE OBLIGATIONS

From time to time, the University leases certain items of equipment that are classified as capital leases. The University entered into a five year lease agreement with Canon Financial Services on October 1, 2014. The leased assets are included with equipment in depreciable capital assets with a cost of $296,912, net of accumulated depreciation of $296,912. Amortization of leased assets is included with depreciation expense. Interest on the lease is at 5.93%. The present value of the net minimum lease payments at September 30, 2018 was $72,189. During the year ended September 30, 2019, the lease was fully paid.

NOTE 11 – DUE TO STATE OF ALABAMA

Due to the effects of the March 19, 2018 EF-3 tornado (See Note 18), the State of Alabama issued an interest-free loan June 26, 2018 in the amount of $5,946,640. The loan is payable two years from the most recent issue date. The University may have the opportunity to have this loan forgiven during the fiscal year ending September 30, 2020. During the year ended September 30, 2019, the State of Alabama issued additional loan proceeds in the amount of $7,000,000. The ending loan balance as of September 30, 2019 and 2018, respectively, was $12,946,640 and $5,946,640.

NOTE 12 - LONG-TERM LIABILITIES

The Board of Trustees issued Tuition and Fee Revenue Bonds in 2009, 2011, 2014, 2015, 2016 and 2017. The 2009 bonds were issued to cover construction costs and the defeasance of the 1999 Revenue Bond. The 2011 bonds were issued to defease the 2002 Revenue Bond. The 2014 Bonds were issued to defease the 2008 Revenue Bonds. 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.

Long-term liabilities activity (excluding Net Pension and Net OPEB liabilities) for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds:					
Revenue Bonds	$ 76,995,000	$ -	$ (3,965,000)	$ 73,030,000	$ 4,070,000
Bond Discounts	(92,456)	-	7,547	(84,909)	(7,547)
Bond Premiums	3,767,338	-	(226,113)	3,541,225	226,114
Total Bonds, Net	$ 80,669,882	$ -	$ (4,183,566)	$ 76,486,316	$ 4,303,661
Other Long-Term Liabilities:					
Compensated Absences	$ 2,337,597	$ 823,092	$ (942,716)	$ 2,217,973	$ 942,716
Lease Obligations	72,189	-	(72,189)	-	-
Due to State of Alabama	5,946,940	7,000,000	-	12,946,940	-
Total Other Long-Term Liabilities	$ 8,356,726	$ 7,823,092	$ (1,014,905)	$ 15,164,913	$ 942,716

Long-term liabilities activity (excluding Net Pension and Net OPEB liabilities) for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds:					
Revenue Bonds	$ 80,585,000	$ -	$ (3,590,000)	$ 76,995,000	$ 3,965,000
Bond Discounts	(100,004)	-	7,548	(92,456)	(7,547)
Bond Premiums	3,993,452	-	(226,114)	3,767,338	226,114
Total Bonds, Net	$ 84,478,448	$ -	$ (3,808,566)	$ 80,669,882	$ 4,183,567
Other Long-Term Liabilities:					
Compensated Absences	$ 1,858,852	$ 1,323,116	$ (844,371)	$ 2,337,597	$ 844,371
Lease Obligations	129,387	-	(57,198)	72,189	68,765
Due to State of Alabama	-	5,946,940	-	5,946,940	-
Total Other Long-Term Liabilities	$ 1,988,239	$ 7,270,056	$ (901,569)	$ 8,356,726	$ 913,136

A. Deferrals on Refunding, Original Issue Discount and Original Issue Premium

The University has deferrals on refunding in connection with the issuance of its 2011, 2014, 2015 and 2016 Series Revenue Bonds. The University has an original issue discount in connection with the issuance of its 2014 Series Revenue Bonds and an original issue premium in connection with the issuance of its 2015, 2016 and 2017 Series Revenue Bonds. Bonds Payable is reported net of the original issue premium and discount.

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

	Deferrals on Refunding	Original Issue Discount	Original Issue Premium
Initial Balance	$ (6,593,391)	$ (123,904)	$ 4,251,734
Less: Amount Amortized Prior Years	1,234,650	31,448	(484,396)
Balance Before Current Activity	(5,358,741)	(92,456)	3,767,338
Less: Current Amount Amortized	375,330	7,547	(226,113)
Current Amount Loss Due to Refunding	-	-	-
Ending Balance	$ (4,983,411)	$ (84,909)	$ 3,541,225

Amortization activity for the year ended September 30, 2018, was as follows:

	Deferrals on Refunding	Original Issue Discount	Original Issue Premium
Initial Balance	$ (6,593,391)	$ (123,904)	$ 4,251,734
Less: Amount Amortized Prior Years	859,320	23,900	(258,282)
Balance Before Current Activity	(5,734,071)	(100,004)	3,993,452
Less: Current Amount Amortized	375,330	7,548	(226,114)
Current Amount Loss Due to Refunding	-	-	-
Ending Balance	$ (5,358,741)	$ (92,456)	$ 3,767,338

The deferrals on refunding, original issue discounts and premiums will be amortized as follows:

Fiscal Year	Deferral on Refunding	Original Issue Discount	Original Issue Premium
2020	$ 375,330	$ 7,547	$ 226,113
2021	375,330	7,547	226,114
2022	375,330	7,547	226,114
2023	324,149	7,547	226,114
2024	313,914	7,547	226,114
2025-2029	1,569,568	37,737	1,130,570
2030-2034	1,225,181	9,437	912,935
2035-2039	424,609	-	367,151
	$ 4,983,411	$ 84,909	$ 3,541,225

A trustee holds deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 4,070,000	$ 2,649,083	$ 6,719,083
2021	3,425,000	2,540,508	5,965,508
2022	3,720,000	2,441,389	6,161,389
2023	3,825,000	2,325,042	6,150,042
2024	2,785,000	2,212,055	4,997,055
2025-2029	15,565,000	9,373,785	24,938,785
2030-2034	20,455,000	6,047,869	26,502,869
2035-2039	19,185,000	2,052,897	21,237,897
	$73,030,000	$29,642,628	$ 102,672,628

The Jacksonville State University Board pledged student tuition and fees to repay $61,665,000 in Tuition and Fee Revenue Bonds issued on April 1, 2009 at interest rates ranging from 1.0 to 5.125%. The funds were used to refund the University's outstanding Revenue Bonds Series 1999, then outstanding in the amount of $6,340,000 and also to construct, renovate, and equip a portion of certain capital improvements.

A portion of the 2009 Revenue Bonds was advance refunded in December 2015 with the issuance of the Series 2015 Revenue Bonds and in March 2016 with the issuance of the Series 2016 Revenue Bonds.

An escrow fund was established upon issuance of the Series 2015 Bonds that together with investment income will be used for the redemption and retirement of $8,000,000 of the outstanding principal of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. An escrow fund was also established upon issuance of the Series 2016 Bonds that together with investment income will be used for the redemption and retirement of an additional $8,000,000 of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. On January 31, 2017, the remaining 2009 Revenue Bonds were advance refunded with the issuance of the Series 2017 Revenue Bonds. An escrow fund was also established upon issuance of the Series 2017 Bonds that together with investment income will be used for the redemption and retirement of an additional $32,895,000 of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. The amount of escrowed funds associated with the refunded Series 2009 balance together with investment income will equal the outstanding principal amount plus accrued interest needed through December 1, 2018, the early redemption date.

At the issuance of the Series 2015 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled $14,015,863, while the remaining cash flows required to service the Series 2015 Bonds totaled $13,925,430. The savings associated with this reduced cash flow discounted back to 2015 was approximately $76,696.

At the issuance of the Series 2016 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled $15,339,256, while the remaining cash flows required to service the Series 2016 Bonds totaled $15,136,515. The savings associated with this reduced cash flow discounted back to 2016 was approximately $184,795.

At the issuance of the Series 2017 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled $54,326,831, while the remaining cash flows required to service the Series 2017 Bonds totaled $53,973,347. The savings associated with this reduced cash flow discounted back to 2017 was approximately $325,579.

The Jacksonville State University Board pledged student tuition and fees to repay $11,060,000 in Tuition and Fee Revenue Bonds issued on August 1, 2011 at interest rates ranging from 2.0 to 4.0%. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2002, then outstanding in the amount of $10,385,000, and to pay issuance costs. Future revenues in the amount of $4,554,494 at September 30, 2019 and $5,690,131 September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $1,135,638, or 2.1% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,569,000 were received during the fiscal year ended September 30, 2018 with $1,138,150, or 2.4% of pledged revenues, being used to pay principal and interest payments during 2018. These bonds are scheduled to mature in fiscal year 2023.

The Jacksonville State University Board pledged student tuition and fees to repay $12,055,000 in Tuition and Fee Revenue Bonds issued on August 1, 2014 at interest rates ranging from 1.75 to 3.1%. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2008, then outstanding in the amount of $10,000,000. Future revenues in the amount of $12,602,959 at September 30, 2019 and $13,559,331 at September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $956,353 or 1.7% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,569,000 were received during the fiscal year ended September 30, 2018 with $465,590 or 1.0% of pledged revenues, being used to pay principal and interest payments during this 2018. These bonds are scheduled to mature in fiscal year 2031.

The Jacksonville State University Board pledged student tuition and fees to repay $8,950,000 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 $12,565,510 at September 30, 2019 and $12,968,425 at September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $402,915, or .7% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,569,000 were received during the fiscal year ended September 30, 2018 with $404,070, or .8% of pledged revenues, being used to pay principal and interest payments during 2018. 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 Tuition and Fee Revenue Bonds issued on March 17, 2016 at interest rates ranging from 1.3 to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of $8,000,000. Future revenues in the amount of $13,865,350 at September 30, 2019 and $14,270,358 at September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $405,008 or .7% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,569,000 were received during the fiscal year ended September 30, 2018 with $405,723 or .8% of pledged revenues, being used to pay principal and interest payments during 2018. 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 $46,592,591 at September 30, 2019 and $49,805,060 at September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $3,212,469 or 5.9% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,663,000 were received during the fiscal year ended September 30, 2018 with $3,704,969 or 7.7% of pledged revenues, being used to pay principal and interest payments during 2018. These bonds are scheduled to mature in fiscal year 2039.

The Jacksonville State University Board pledged student tuition and fees to repay $10,000,000 in Series 2017-A Tuition and Fee Revenue Bonds issued on February 6, 2017 at an interest rate of 3.04%. 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 $12,491,725 at September 30, 2019 and $13,099,947 at September 30, 2018 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of $52,312,792 were received during the fiscal year ended September 30, 2019 with $608,222 or 1.1% of pledged revenues, being used to pay principal and interest payments during 2019. Pledged revenues in the amount of $47,663,000 were received during the fiscal year ended September 30, 2018 with $191,689 or .4% of pledged revenues, being used to pay principal and interest payments during 2018. These bonds are scheduled to mature in fiscal year 2032.

NOTE 13 – RISK MANAGEMENT

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), part of the State of Alabama, Department of Finance; Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $3.5 million per occurrence. The SIF purchases commercial insurance for claims in excess of $3.5 million. The University purchases commercial insurance for its automobile coverage, general liability and professional legal liability coverage. In addition, the University has a blanket fidelity bond that covers all employees. At of the issuance date of these financial statements, the SIF calculated a settlement loss of $92,955,516 related to damages from the March 19, 2018 storms (see Note 18). To date, $80,886,910 in settlement payments have been received by the University with an additional $12,068,606 in receivables. Additional insurance settlement proceeds related to storm damages, if any, may be significant and material.

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

The University contributes a specified amount monthly to the PEEHIF for each employee; this amount is applied against the employee's premiums for the coverage selected, and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years. Claims that occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

NOTE 14 – ENDOWMENTS

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

Jacksonville State has determined that absent explicit donor restrictions, the original gift amount of the donor-restricted endowment will be classified as permanently restricted. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

NOTE 15 – COMPONENT UNITS

During the year ended September 30, 2019 and 2018, Jacksonville State University Foundation, Inc., a discretely presented component unit distributed $1,615,205 and $1,326,898, respectively, to Jacksonville State University for both restricted and unrestricted purposes. At September 30, 2019, Jacksonville State University has recorded a receivable of $28,936 due from the Foundation for scholarships. At September 30, 2019, the University has also recorded a payable of $27,066 due to the Foundation related to the service agreement more fully described in Note 8 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 complete audited financial statements of the Foundation can be obtained upon written request to JSUF.

NOTE 16 – RELATED PARTIES

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

NOTE 17 – JOINT OPERATION

On June 23, 2000, Jacksonville State University entered into a Joint Real Property Development and Cooperative Agreement with Gadsden State Community College for the purpose of constructing and equipping an Economic Development Center on the premises of Gadsden State Community College. Each school contributed $1,000,000 with an additional $1,000,000 provided by State of Alabama Building Commission Funds. Each party occupies and utilizes the facility on an equal basis. Each party contributes to the maintenance and operation costs for the use and operation of the facility on an equal basis. Beginning in August 2017 through August 2019, the space allocated for use by JSU, with the exception of one office, will be used by Gadsden State Community College. During this term, JSU is relieved of all obligations to pay or contribute to the costs associated with the Economic Development Center.

Jacksonville State University and Gadsden State Community College also entered into an agreement to build classrooms and an administration building at McClellan. The building is known as the McClellan Higher Education Consortium. Jacksonville State University's one-half share of the building cost is $3,500,000.

During fiscal year 2019, Gadsden State Community College ceased operations at the McClellan Higher Education Consortium and donated their portion of the building to the University. This donation was recorded as a capital contribution by the University at its estimated fair market value of $3,433,329.

NOTE 18 – INSURANCE RECOVERY GAIN - TORNADO

On March 19, 2018, the University experienced an EF-3 tornado causing significant damage to many buildings and the surrounding area. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, insurance recoveries during the fiscal year ended September 30, 2018 were used to offset the amount of loss that was recognized. Restoration costs of $75,793,147 for damage sustained were netted against an impairment of $4,418,104, for a net insurance recovery gain of $71,375,043 as of September 30, 2018. The University decreased the damaged buildings by the impairment of $4,418,104 for the year-ended September 30, 2018. The University also received FEMA\AEMA proceeds to assist in recovery efforts.

The following table summarizes insurance and grant proceeds related to storm damage received by the University or authorized by the adjustor/grantor to be received by the University:

	2019	2018
State Insurance Fund:		
Proceeds Received	$ 38,886,910	$ 42,000,000
Authorized and Included in Receivables	12,068,606	33,793,147
Total State Insurance Fund Revenues Recognized	$ 50,955,516	$ 75,793,147
FEMA:		
Grants Received	$ 4,746,722	$ 1,087,779
Authorized and Included in Receivables	19,176,256	594,166
Total FEMA Grant Revenues Recognized	$ 23,922,978	$ 1,681,945
AEMA:		
Grants Received	$ -	$ -
Authorized and Included in Receivables	3,713,659	99,028
Total AEMA Grant Revenues Recognized	$ 3,713,659	$ 99,028

Additional insurance and grant proceeds may be received in subsequent years as settlements are negotiated and grant authorizations are processed; however, as of the issuance date of these financial statements, those amounts are not yet finalized.

NOTE 19 – CAPITAL CONTRIBUTIONS RECEIVED

On July 23, 2018, the Health Care Authority of the City of Anniston donated property located on Highway 21 in Jacksonville, Alabama to the University. The property formerly known as "Jacksonville Hospital" is now utilized to house the School of Health, Professions and Wellness faculty and staff due to the destruction of Wallace Hall. During the fiscal year ended September 30, 2018, a capital contribution in the amount of $12,284,600 was recorded along with a corresponding capitalized asset for the building and land donation.

On April 16, 2019, Gadsden State Community College and the University entered into a joint agreement relinquishing possessory rights on the campus of the other and discharge the other of any legal obligations. During the fiscal year ended September 30, 2019, a capital contribution in the amount of $3,433,329 has been recorded along with a corresponding capitalized asset for the building and land donation.

On February 27, 2019, PCSJ Land Company, LLC donated property located on Mountain Street in Jacksonville, Alabama to the University.

The property known as “Momma Goldberg’s” is now utilized as a restaurant available for students and the general public for dining purposes. During the fiscal year ended September 30, 2019, a capital contribution in the amount of $305,860 has been recorded along with a corresponding capitalized asset for the building and land donation.

NOTE 20 – JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC. NOTES TO THE FINANCIAL STATEMENTS

20.A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The overall mission of the Jacksonville State University Foundation, Inc. (the Foundation) is to maximize private gift support for Jacksonville State University (the University) while laying the groundwork for future fundraising success in order to aid the University in fulfilling its own mission of excellence in education, research, and service. The Foundation owns JSUF Real Estate Holding Company, LLC (the Holding Company). The Holding Company’s total assets were $24,017 at December 31, 2018 and 2017, and are not included in the financial statements.

Basis of Accounting

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 (U.S. GAAP).

Change in Accounting Principle – Financial Statement Presentation

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*, which made targeted changes to the not-for-profit financial reporting model. Under the new standard, the existing three-category classification of net assets are replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. The standard also imposed several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The Foundation implemented ASU 2016-14 in fiscal year 2018 and has adjusted the presentation of these financial statements accordingly.

Net assets have been reclassified due to the adoption of ASU 2016-14 as of December 31, 2018 as follows:

Net Asset Classification December 31, 2017	Without Donor Restriction	With Donor Restriction	Total Net Assets
Unrestricted	$ 908,175	$ -	$ 908,175
Temporarily Restricted	-	25,646,026	25,646,026
Permanently Restricted	-	11,611,653	11,611,653
Net Assets as Reported After Adoption of ASU 2016-14	$ 908,175	$ 37,257,679	$ 38,165,854

Change in Accounting Principle – Statement of Cash Flows Presentation

In November 2017, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end- of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted using a retrospective transition method applied to each period presented. The Foundation implemented ASU 2016-18 in fiscal year 2017 and is reflected in these financial statements accordingly.

Net Assets

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**.**

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to objectives specified by donors, and/or restrictions imposed by external authorities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash held in trust accounts is considered to be an investment.

Investments

In accordance with FASB 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 statements 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 statements of activities. Realized gains and losses on the sale of investments are calculated based on the specific identification method.

Pooled Investment Program

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

Assets Held under Split-Interest Agreements

Charitable remainder trust agreements require periodic payment of either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate either at a specific time or upon the death of the designated individual. A liability for each remainder trust, where the Foundation is a trustee, is established and calculated as the present value of future payments to be made to the designated beneficiaries. Upon termination, the remaining assets of the remainder trust are then available for use by the Foundation to be used in accordance with the donor's intent. For remainder trusts held by the Foundation, the discount rate was 6% during the years ended December 31, 2018 and 2017. There were no new trusts established in 2018 or 2017.

Contributions and Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets. Restricted amounts received, but not yet earned are reported as deferred restricted amounts.

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.

Property and Equipment

Real property and equipment are capitalized at cost if purchased and fair value if donated if the asset is expected to provide a benefit for more than one year. Depreciation is computed for purchased operating equipment of the Foundation based on the straight-line method over the estimated useful lives of the related assets over a period of 3 to 39 years. Realized gains and losses from the sale or disposal of real property, equipment, and other assets are computed based on the difference between the proceeds received and the net carrying value of the asset.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*, the Foundation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The Foundation evaluates its investment in long-lived assets used in operations for impairment annually. Long-lived asset disposals are required to be reported at the lower of carrying amount or fair value less selling costs. There was no impairment of long-lived assets at December 31, 2018.

In-Kind Gifts

In-kind gifts are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) 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 totaled $1,797,131 and $361,758 for the years ended December 31, 2018 and 2017, respectively. A substantial number of volunteers have donated significant amounts of their 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.

Income Tax

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Internal Revenue Service (IRS) has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the IRC. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, and in the opinion of management is not material to the basic financial statements taken as a whole.

The Foundation follows the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of December 31, 2018, the Foundation had no uncertain tax positions that qualify for disclosure in financial statements. The Foundation files an annual Form 990 with the IRS and its tax returns for previous open tax years may be subject to examination by taxing authorities.

Advertising

Advertising costs are expensed as incurred and are included in the functional expense statement. For the years ended December 31, 2018 and 2017, advertising expenses were $191,352 and $131,957, respectively.

Subsequent events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued

Reclassifications

Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net assets or changes in net assets.

New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments (Topic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The new guidance is effective for the Foundation's fiscal periods beginning after December 15, 2018. The Foundation is evaluating the impact that his will have on the financial statements beginning in fiscal year 2019.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* which clarifies the classification of eight specific cash flow issues in an entity's statement of cash flows where it was determined by the FASB that there is a diversity in practice. The new guidance is effective for the Foundation's fiscal periods beginning after December 15, 2018. Retrospective transition is required for each period presented in the statement of cash flows. The Foundation is evaluating the impact that this will have on the financial statements beginning in fiscal year 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in evaluating whether transactions should be accounted for as contributions or as exchanges (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional.

The new guidance is effective for fiscal years beginning after June 15, 2018, for contributions received and December 15, 2019, for contributions made. The Foundation is evaluating the impact this will have on the financial statements beginning in fiscal year 2019.

20.B – LIQUIDITY AND AVAILABILITY

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

Operating liquidity is funded by management fees which are assessed to each scholarship fund on a pro-rata basis. Service fee income paid to the Foundation for its management of the Fitness and Wellness Center is primarily used to fund the debt service for the Foundation's bonds. This source of income can be used to fund operations to the extent that there are any funds remaining after servicing the debt. 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:	
Cash and cash equivalents	$ 12,453,104
Promises to give, net	749,478
Investments	36,576,056
Total financial assets at December 31, 2018	49,778,638
Less amounts not available to be used within one year due to:	
Net assets with donor restrictions	(35,453,483)
Cash restricted for bond service and capital projects	(10,008,164)
Liabilities to beneficiaries from split interest agreements	(1,889,583)
In-kind donation of investment in LLC and franchise	(1,763,000)
	(49,114,230)
Financial assets available to meet general expenses within one year	$ 664,408

The Foundation holds restricted cash for capital projects and the servicing of bonds issued in 2017. Both accounts are for the construction and debt service of the Fitness and Wellness Center substantially completed at December 31, 2018. This cash may not be used to fund operations

20.C – PROMISES TO GIVE

Promises to give consist of amounts that are both unconditional and conditional in nature. The Foundation's capital campaign 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 $105,777 and $109,797 in promises to give without donor restrictions and $2,412,829 and $2,578,878 in promises to give with donor restrictions at December 31, 2018 and 2017, respectively.

Unconditional promises to give at December 31 are as follows:

	2018	2017
Receivable in less than one year	$ 429,733	$ 415,330
Receivable in one to five years	297,387	485,084
Receivable in more than five years	1,791,486	1,788,261
Total unconditional promises to give	2,518,606	2,688,675
Less allowance for bad debt	(1,430,226)	(1,372,110)
Less discounts to net present value	(338,902)	(378,202)
Net unconditional promises to give	$ 749,478	$ 938,363

Discount rates used were 4.5% and 3.75% at December 31, 2018 and 2017, respectively.

20.D – INVESTMENTS

Investments which include charitable remainder trusts are reported at fair value based on quoted market prices or quoted prices for similar or identical assets and consist primarily of mutual funds, stocks, bonds, and alternative investments. The following are the Foundation's investments by type at December 31, 2018:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market	$ 3,621,189	$ 3,621,189	$ -
Mutual funds	27,482,095	26,516,028	(966,067)
Government obligations	722,300	726,615	4,315
Mortgage backed securities	360,942	357,063	(3,879)
Corporate obligations	1,703,409	1,689,036	(14,373)
Municipal bonds	582,571	580,306	(2,265)
Common stock	30,828	29,701	(1,127)
Real estate investment trust	262,500	303,060	40,560
Alternative investments	4,241,848	3,844,105	(397,743)
Total	$ 39,007,682	$ 37,667,103	$ (1,340,579)

The following are the Foundation's investments by type at December 31, 2017:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market	$ 678,372	$ 678,372	$ -
Mutual funds	23,915,625	25,444,945	1,529,320
Government obligations	1,451,428	1,436,470	(14,958)
Mortgage backed securities	478,292	474,586	(3,706)
Corporate obligations	3,793,887	3,844,074	50,187
Municipal bonds	1,959,179	1,968,624	9,445
Common stock	16,724	20,084	3,360
Real estate investment trust	262,500	303,060	40,560
Alternative investments	2,751,136	2,213,463	(537,673)
Total	$ 35,307,143	$ 36,383,678	$ 1,076,535

The estimated fair value of debt securities at December 31, 2018, by contractual maturities, is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay with or without call or prepayment penalties.

	Estimated Market Value
Due in one year or less	$ -
Due after one through five years	1,738,706
Due after five through ten years	1,614,314
	$ 3,353,020

Endowment Investment and Spending Policies

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 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. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

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 statements of financial position.

Changes in endowment net assets as of December 31, 2018 are as follows:

	Endowment
Balance Beginning of Year	$ 11,611,653
Endowment Activity:	
Contributions	171,415
Balance End of Year	$ 11,783,068

Changes in endowment net assets as of December 31, 2017 are as follows:

	Endowment
Balance Beginning of Year	$ 11,469,966
Endowment Activity:	
Contributions	141,687
Balance End of Year	$ 11,611,653

Investment income earned on endowment scholarship funds was $439,511 and $402,526 for the years ended December 31, 2018 and 2017, respectively. Net depreciation of investments was $475,075 for 2018 and net appreciation of investments was $1,592,069 for 2017.

Amounts appropriated for expenditures was $515,627 and $860,668 for these funds for 2018 and 2017, respectively.

At December 31, 2018, the Foundation had nine endowment scholarship funds for which the fair value of the fund was less than the original endowment gifts ("underwater"). The fair value of these funds totaled $441,088, and the underwater amount of these funds totaled $12,526. There were no underwater endowment funds at December 31, 2017. The Board of Directors has determined that 2019 scholarships to be awarded from these funds will be funded by net assets without donor restrictions.

20.E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 132,043	$ 132,043
Construction in Progress	36,128,425	7,351,513
Capitalized Interest	2,072,615	309,293
Total	$ 38,333,083	$ 7,792,849

20.F – SPLIT INTEREST AGREEMENT

Of the $1,091,047 held in trust, an investment in land with income from a ground lease was purchased in 2006 for $262,500. The ground lease has an initial term that commenced on March 1, 2003. Initial minimum payments on the 20-year lease were $1,750 per month from 2003 through 2013 increasing to $2,067 per month beginning in 2014. The present value of the estimated future payments is $87,622 at December 31, 2018.

The following is a schedule by years of future minimum rentals due under the ground lease at December 31, 2018:

2019	$ 24,804
2020	24,804
2021	24,804
2022	24,804
2023 and beyond	4,133
	$ 103,349

20.G – REFUNDABLE ADVANCES

Refundable advances are amounts held on behalf of another organization.

20.H - BONDS PAYABLE

On October 31, 2017, the Public Education Building Authority of Jacksonville Foundation issued $42,410,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2017-A and $400,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2017-B. The Foundation, which is considered the borrower of the funds, assumed all the obligations of the bonds. The bonds have varying fixed rates based on maturity dates which range from July 1, 2020 through July 1, 2057. The proceeds of the bonds are to be used for funding of the:

1. Costs of issuing the bonds ($1,122,555);
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 which is being amortized over the term of the bonds. Amortization for the year ended December 31, 2018 and 2017 was $23,883 and $38,135, respectively.

The University provides the cash flow necessary to service the bonds through a services 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.

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

2019	$ -
2020	130,000
2021	270,000
2022	300,000
2023	300,000
2024 and thereafter	41,810,000
	$ 42,810,000

20.I – RESTRICTION/LIMITATIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes at December 31, 2018:

Faculty awards and chairs	$ 4,620,344
Scholarships and grants	29,106,780
For other purposes	1,726,359
Total	$ 35,453,483

Net assets with donor restrictions consist of endowment fund assets and other assets with donor restrictions to be held indefinitely. The income from endowment funds can be used to fund scholarships.

20.J – FAIR VALUE MEASUREMENTS

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. ASO 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 assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

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

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

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

There were no changes in the valuations techniques during the current year.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to 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 tables set 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, 2018 and 2017:

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 3,621,189	$ 3,621,189	$ -	$ -
Mutual funds	26,516,028	26,516,028	-	-
Government obligations	726,615	-	726,615	-
Mortgage backed securities	357,063	-	357,063	-
Corporate obligations	1,689,036	-	1,689,036	-
Municipal bonds	580,306	-	580,306	-
Common stock	29,701	29,701	-	-
Real estate investment trust	303,060	-	303,060	-
Alternative investments	3,844,105	-	-	3,844,105
Total investments	$ 37,667,103	$ 30,166,918	$ 3,656,080	$ 3,844,105

	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 678,372	$ 678,372	$ -	$ -
Mutual funds	25,444,945	25,444,945	-	-
Government obligations	1,436,470	-	1,436,470	-
Mortgage backed securities	474,586	-	474,586	-
Corporate obligations	3,844,074	-	3,844,074	-
Municipal bonds	1,968,624	-	1,968,624	-
Common stock	20,084	20,084	-	-
Real estate investment trust	303,060	-	303,060	-
Alternative investments	2,213,463	-	-	2,213,463
Total investments	$ 36,383,678	$ 26,143,401	$ 8,026,814	$ 2,213,463

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

Level 1 measurements

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

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

Level 2 measurements

Fixed income securities:

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

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

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

Real Estate Investment Trust and Alternative investments: Comprised of private market investments. The primary inputs to the valuation of these investments include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields, 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.

Level 3 measurements

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

The table below sets forth a summary of changes in the fair value of the Foundations Level 3 assets for the year ended December 31, 2018:

Balance at December 31, 2017	$	2,213,463
Realized gains		(213,281)
Unrealized gains		581,188
Purchases		2,002,139
Return of capital		(739,404)
Balance at December 31, 2018	$	3,844,105

20.K - RELATED PARTIES

The Foundation operates as a separate entity supported by contributions from unrelated donors and income from endowment fund investments. Each endowment fund investment is charged a management fee by the Foundation totaling $330,151 and $289,085 for the years ended December 31, 2018 and 2017, respectively. 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.

On July 17, 2017, the Foundation entered into a services agreement with the University in order to develop and continue fitness and wellness programs provided for the students, faculty, employees and alumni of the University. The services provided include but are not limited to the management of the development and construction of a fitness and wellness center (the "Center") expected to open in 2019. Other services to be provided to the University by the Foundation include procuring financing for the development and construction, arranging staffing, licensing, insurance, marketing, security and other services required for the operation of the Center prior to and after opening. In return, the Foundation will receive a fee for services. In order to facilitate the construction and start-up of the Center, the University paid a one-time up-front service fee of $4 million during 2017. Thereafter, an annual fee defined by the terms of the agreement will be paid on March 1 and September 1 to the Foundation. The annual fee paid to the Foundation was $734,000 for 2018 and 2017 and is included in revenues gains and support on the statements of activities. The services agreement expires on October 31, 2062.

On October 17, 2017, the Foundation entered into a ground lease with the University for a period of 45 years. The ground lease is for the land on which the Center will be located and requires the Foundation to make annual rental payments to the University of $100 in base rent and additional rent as specified in the agreement. An initial rent payment of $4 million was due and payable on the commencement date of the agreement.

The $4 million received in 2017 by the Foundation from the University to fund the project costs incurred prior to the bond issuance was repaid by the Foundation in the form of an initial $4 million rent payment and was funded by the proceeds of the bonds. Management concluded that these two transactions were in essence an advance and repayment with no impact on revenues and expenses.

20.L – CREDIT RISK AND CONCENTRATIONS

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.

20.M – SUBSEQUENT EVENTS

The Foundation received an in-kind gift of two LLC's and an associated franchise for a restaurant in December 2018. Management determined that the management of the property and franchise could be handled more efficiently by the University. In February 2019, the investment was transferred to the University. There was no gain or loss on the transaction.

Required Supplementary Information

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

For the Measurement Period Ended	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Proportion of the Net Pension Liability	0.780339%	0.744717%	0.748031%	0.736438%	0.732539%
Proportionate Share of the Net Pension Liability	$77,586,000	$73,194,000	$80,982,000	$77,073,000	$66,548,000
JSU's Covered-Employee Payroll[1]	$52,486,000	$49,516,590	$47,766,000	$46,684,000	$46,482,000
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	147.82%	147.82%	169.54%	165.10%	143.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to the Schedule of Jacksonville State University's Proportionate Share of the Net Pension Liability

This schedule presents only five years of information, rather than ten years, as only five years of trend information are available.

[1] *Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019 the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY 2017.*

See accompanying independent auditor's report.

Jacksonville State University

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

For the Measurement Period Ended	9/30/2018	9/30/2017
Proportion of the Net OPEB Liability	0.729542%	0.701339%
Proportionate Share of the Net OPEB Liability	$59,959,061	$52,091,455
JSU's Covered-Employee Payroll[1]	$52,486,000	$49,516,590
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	114.24%	105.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.37%	14.81%

Notes to the Schedule of Jacksonville State University's Proportionate Share of the Net OPEB Liability

This schedule presents only two years of information, rather than ten years, as only two years of trend information are available.

[1] *Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019 the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY 2017.*

See accompanying independent auditor's report.

Jacksonville State University
Schedule of Jacksonville State University's Contributions
Teachers' Retirement Plan of Alabama

For the Fiscal Year Ended	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Contractually Required Contribution	$6,696,670	$6,264,121	$5,829,433	$5,623,694	$5,266,235
Contributions in relation to the contractually required contribution	6,696,670	6,264,121	5,829,433	5,623,694	5,266,235
Contribution deficiency (excess)	-	-	-	-	-
System's covered-employee payroll[1]	$54,018,000	$52,486,000	$49,517,000	$47,766,000	$46,684,000
Contributions as a percentage of covered-employee payroll	12.40%	11.93%	11.77%	11.77%	11.28%

Notes to the Schedule of University Contributions

This schedule presents only five years of information, rather than ten years, as only five years of trend information is available at September 30, 2019.

[1] *Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019 the measurement period is October 1, 2018 - September 30, 2019.*

See accompanying independent auditor's report.

Jacksonville State University
Schedule of Jacksonville State University's Contributions
Alabama Retired Education Employees' Health Care Trust

For the Fiscal Year Ended	9/30/2019	9/30/2018
Contractually Required Contribution	$ 2,110,331	$ 1,791,355
Contributions in relation to the contractually required contribution	(2,110,331)	(1,791,355)
Contribution deficiency (excess)	-	-
System's covered-employee payroll[1]	$54,018,000	$52,486,000
Contributions as a percentage of covered-employee payroll	3.91%	3.41%

Notes to the Schedule of University OPEB Contributions

This schedule presents two four years of information, rather than ten years, as only two years of trend information is available at September 30, 2019.

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

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan. The Health Plan was changed in 2017 to reflect the ACA maximum annual out-of-pocket amounts.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2015 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:

Inflation	2.75 percent
Salary increases	5.00–3.25 percent, including 3.00% wage inflation
Long-term investment rate of return	7.25 percent compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at Measurement Date	4.18 percent
Municipal Bond Index Rate at Prior Measurement Date	3.57 percent
Year FNP is projected to be depleted	2029
Single Equivalent Interest Rate at Measurement Date	4.44 percent
Single Equivalent Interest Rate at Prior Measurement Date	4.63 percent
Healthcare cost trend rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	5.00% beginning in 2019
Ultimate trend rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

[1] *Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019 the measurement period is October 1, 2018 - September 30, 2019.*

See accompanying independent auditor's report.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PLAY SMART
PLAY TOGETHER
CHAMPIONS
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Additional Information

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's 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 as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Jacksonville State University's basic financial statements, and have issued our report thereon dated March 31, 2020. We conducted our audit 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 Foundation, Inc., a discretely presented component unit of Jacksonville State University, 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 Jacksonville State University Foundation, Inc.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jacksonville State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CDPA, PC

Athens, AL
March 31, 2020

CDPA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Jacksonville State University

Report on Compliance for Each Major Federal Program

We have audited Jacksonville State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jacksonville State University's major federal programs for the year ended September 30, 2019. Jacksonville State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The financial statements of Jacksonville State University Foundation, Inc. were not audited in accordance with the *OMB Compliance Supplement*, and, accordingly, this report does not extend to Jacksonville State University Foundation, Inc.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jacksonville State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jacksonville State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Jacksonville State 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, 2019.

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Report on Internal Control Over Compliance

Management of Jacksonville State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.
In planning and performing our audit of compliance, we considered Jacksonville State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jacksonville State University's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

CDPA, PC

Athens, AL
March 31, 2020


Voltage: 3.2V
Capacity: 75Ah
Energy: 240Wh

PART III

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
MAJOR PROGRAMS					
Student Financial Assistance Cluster					
U.S. Department of Education Direct Programs					
Federal Pell Grant Program	84.063	N.A.	7/1/16-6/30/17	$ -	$ (727)
Federal Pell Grant Program	84.063	N.A.	7/1/17-6/30/18	-	2,115
Federal Pell Grant Program	84.063	N.A.	7/1/18-6/30/19	-	8,148,884
Federal Pell Grant Program	84.063	N.A.	7/1/19-6/30/20	-	7,275,037
Federal Direct Student Loans	84.268	N.A.	7/1/17-6/30/18	-	(7)
Federal Direct Student Loans	84.268	N.A.	7/1/18-6/30/19	-	20,913,568
Federal Direct Student Loans	84.268	N.A.	7/1/19-6/30/20	-	20,267,980
Federal Work-Study Program	84.033	N.A.	7/1/18-6/30/19	-	243,272
Federal Work-Study Program	84.033	N.A.	7/1/19-6/30/20	-	87,866
Federal Supplemental Education Opportunity Grants	84.007	N.A.	7/1/18-6/30/19	-	283,614
Federal Supplemental Education Opportunity Grants	84.007	N.A.	7/1/19-6/30/20	-	60,422
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N.A.	7/1/18-6/30/19		28,096
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N.A.	7/1/19-6/30/20	-	14,070
Total U.S. Department of Education Direct Programs				-	57,324,190
Total Student Financial Assistance Cluster				-	57,324,190
Research and Development Cluster					
U.S. Department of Defense Direct Programs					
GenCyber Grants Program	12.903	N.A.	3/30/17-3/29/18	-	-
Total U.S. Department of Defense Direct Programs				-	-
U.S. Department of Education Direct Programs					
Investing in Innovation (i3) Fund	84.411	N.A.	1/1/14-12/31/18	-	257,725
Investing in Innovation (i3) Fund	84.411	N.A.	1/1/16-12/31/20	96,842	1,587,010
Higher Education Institutional Aid	84.031	N.A.	10/1/14-9/30/19	-	236,209
Funds for the Improvement of Postsecondary Education	84.116	N.A.	10/1/14-9/30/19	-	503,075
Total U.S. Department of Education				96,842	2,584,019
National Science Foundation					
Engineering Grants	47.041	N.A.	6/15/18-5/31/20	-	9,684
Engineering Grants	47.041	N.A.	9/1/17-8/31/20	-	38,800
Education and Human Resources	47.076	N.A.	9/1/15-8/31/20	-	2,961

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
Passed Through Ouachita Baptist University					
Biological Services	47.074	1827066	8/15/18-7/31/23	-	14,587
Total National Science Foundation				-	66,032
U.S. Department of Interior, Fish and Wildlife Service					
Cooperative Endangered Species Conservation Fund	15.615	N.A.	8/1/16-9/30/18	-	(8,878)
Total U.S. Department of Interior, Fish and Wildlife Service				-	(8,878)
Total Research and Development Cluster				96,842	2,641,173
U.S. Department of Homeland Security (DHS)					
Federal Emergency Management Agency (FEMA)					
Passed through the Alabama Emergency Management Agency (AEMA)					
Disaster Grants- Public Assistance (PA)	97.036	N.A.	10/1/18-9/30/19	-	23,922,978
Total U.S. Department of Homeland Security				-	23,922,978
Total Major Programs				96,842	83,888,341
NON-MAJOR PROGRAMS					
National Security Agency					
DOD ISA Scholarship Program	12.902	N.A.	9/7/18-8/31/19	-	39,064
Total National Security Agency				-	39,064
U.S. Department of Education Direct Programs					
Funds for the Improvement of Postsecondary Education	84.116	N.A.	10/1/15-9/30/18	-	4,908
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N.A.	10/1/15-9/30/20	-	99,333
Passed through Alabama State Department of Education					
Alabama Technology in Motion	84.367A	U90218	10/1/18-10/30/19	-	119,671
Total U.S. Department of Education				-	223,912
U.S. Department of Health and Human Services					
Passed through the University of Alabama					
Foster Care Title IV-E	93.658	UA18-020	10/1/18-9/30/19	-	33,153
Total U.S. Department of Health and Human Services				-	33,153

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
U.S. Small Business Administration					
Passed through the University of Alabama					
Small Business Development Centers	59.037	A19-0012-S003	10/1/18-9/30/19	-	85,566
Total U.S. Small Business Administration				-	85,566
U.S. Department of Defense					
Passed through the University of Alabama					
Procurement Technical Assistance for Business Firms	12.002	UA17-023	8/1/17-7/31/18	-	(3,719)
Procurement Technical Assistance for Business Firms	12.002	A00-746-5008	8/1/18-7/31/19	-	38,933
Procurement Technical Assistance for Business Firms	12.002	A00-746-5008	8/1/18-7/31/19	-	7,149
Total U.S. Department of Defense				-	42,363
U.S. Department of Justice					
Passed through the Alabama Department of Economic and Community Affairs					
Edward Byrne Memorial JAG Program	16.738	17-DJ-ST-003	10/1/18-9/30/19	-	98,611
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	17-CD-01-002	1/1/18-12/31/18	-	15,273
Total U.S. Department of Justice				-	113,884
U.S. Department of Homeland Security (DHS)					
Passed through the Center for Rural Development					
State and Local Homeland Security National Training Program	97.036	EMW-2017-CA-00052	10/1/18-9/30/19	-	49,774
Total U.S. Department of Homeland Security				-	49,774
General Services Administration					
Passed through the Alabama Department of Economic and Community Affairs					
Donation of Federal Surplus Personal Property (N)	39.003	N.A.	10/1/18-9/30/19		7,829
Total General Services Administration				-	7,829
Total Non-Major Programs				-	595,545
Total Federal Awards				$ 96,842	$ 84,483,886

Jacksonville State University
Notes to the Expenditures of Federal Awards
For the Year ended September 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Jacksonville State University (the "University") under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures for federal awards that were awarded before December 26, 2014 are recognized following the cost principles contained in OMB Circular A-102 Common Rule, OMB Circular A-110 or the OMB Cost Principles Circulars, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for federal awards that were newly awarded or had incremental funding actions with changed terms and conditions on or after December 26, 2014 are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de-minimus indirect cost rate allowed under the Uniform Guidance.

For 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 subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Student Financial Assistance Cluster

Research and Development Cluster

Federal Emergency Management Agency (FEMA)

Programs classified as Type B are as follows:

Higher Education Institutional Aid

Federal CFDA Numbers

Catalog of Federal Domestic Assistance (CFDA) numbers are assigned to contracts and grants on the basis of program type.

NOTE 3 – FEDERAL DIRECT STUDENT LOAN PROGRAM (CFDA Number 84.268)

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. The University is not responsible for collection of these loans. During the program year, the University processed approximately $41 million of student loans under the Direct Loan program.

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

The following schedule is a reconciliation of total federal expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown on the Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2019.

Federal Grants and Contracts– Operating Revenue	$ 27,989,246
Federal Grants – Nonoperating Revenue	14,629,739
Fall 2019 Unearned Federal Grant Revenue	5,487,777
Fall 2018 Unearned Federal Grant Revenue	(4,799,265)
Federal Direct Student Loans	41,181,541
Miscellaneous	(5,152)
Expenditures per Schedule of Expenditures of Federal Awards	$ 84,483,886

PART IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

Jacksonville State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____ yes	x no
Significant deficiency(ies) identified?	____ yes	x none reported
Noncompliance material to financial statements noted?	____ yes	x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	____ yes	x no
Significant deficiency(ies) identified?	____ yes	x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	____ yes	x no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
	Federal Emergency Management Agency (FEMA)
97.036	Disaster Grant-Public Assistance (PA)
	Research and Development Cluster
12.903	GenCyber Grants Program
84.411	Investing in Innovation (i3) Fund
84.116	Funds for the Improvement of Postsecondary Education
47.074	Biological Services
47,041	Engineering Grants
47.076	Education and Human Resources
	U.S. Department of Education Direct Programs
84.031	Higher Education Institutional Aid

Dollar Threshold to Distinguish Between Type A and Type B Programs: $1,299,070

Auditee qualified as low-risk auditee?	x yes	____ no

Jacksonville State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

Section II – Financial Statement Findings

The audit did not disclose any financial statement findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit did not disclose any federal award findings or questioned costs required to be reported.

See following page for status of prior year findings and questioned costs.

FINANCIAL AID OFFICE
JACKSONVILLE STATE UNIVERSITY

107 Bibb Graves Hall
Jacksonville, AL 36265
(256)782-5006
finaid@jsu.edu

Status of Prior Year Findings & Questioned Costs

Reference: 2018.001

Type: Student Financial Aid Finding:

During the prior year audit, we noted that 2 out of 60 students selected for testing were not disbursed their allowable amount of Pell Grant due to human error in the manual process of determining summer eligibility for Pell Grant. The two students identified in the review have been awarded and disbursed Pell Grant for Summer 2018. To further address this finding, clear steps for review of summer enrollees, tracking of the review, and subsequent review of the enrollees based on their initial review status were implemented during FY 2019.

Contact person responsible – Jessica Wiggins, Director of Financial Aid

Status: Resolved

Acknowledgements

Front and Back Covers: Jacksonville State University, courtesy of Matt Reynolds

Photography: Jacksonville State University Photographic Services

Annual Financial Report Prepared By:

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