

Report on the

Jacksonville State University

Jacksonville, Alabama

October 1, 2014 through September 30, 2015

Filed: June 24, 2016



Department of
Examiners of Public Accounts

50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of Jacksonville State University, Jacksonville, Alabama, for the period October 1, 2014 through September 30, 2015.

Sworn to and subscribed before me this
the 16th day of June, 2016.

Sandra E Shirley
Notary Public

Sworn to and subscribed before me this
the 16th day of June, 2016.

Sandra E Shirley
Notary Public

Sworn to and subscribed before me this
the 16th day of June, 2016.

Sandra E Shirley
Notary Public

Respectfully submitted,

Misty C Medders

Misty C. Medders
Examiner of Public Accounts

Tom L Tolley

Tom Tolley
Examiner of Public Accounts

William McBride, Jr.

William McBride, Jr.
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Jacksonville State University
October 1, 2014 through September 30, 2015**

**Jacksonville State University Foundation, Inc. and
JSUF Real Estate Holding Company, LLC
January 1, 2014 through December 31, 2014**

Jacksonville State University (the "University") is a state supported public, comprehensive institution that provides programs of study leading to Bachelor's, Master's, Education Specialist, and Doctoral degrees in business, education, the arts, the sciences, nursing, and emergency management, as well as a number of professionally accredited and continuing education programs. The University offers many online courses, including online programs in emergency management, business, education, and others, at the graduate and undergraduate levels.

Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC (the "Foundation") was organized as a non-profit corporation without capital stock under the laws of the State of Alabama. The organization was formed to provide support for Jacksonville State University.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the University's component unit, the Foundation, which was audited by other auditors. The University audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14. The Foundation audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal year ending September 30, 2015 and December 31, 2014, respectively.

The finding in the prior audit appears to have been resolved.

Test performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this report: Dr. John M. Beehler, President and Dr. Ashok K. Roy, Vice-President for Finance and Administration. The following individuals attended the exit conference: Dr. John M. Beehler, President and Dr. Ashok K. Roy, Vice-President for Finance and Administration. Representing the Department of Examiners of Public Accounts were: Ms. Melissa Knepper, Audit Manager and Misty Medders, Examiner.



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COMMENTS

**Jacksonville State University
October 1, 2014 through September 30, 2015**

From modest beginnings, Jacksonville State University has evolved into the educational center of Northeast Alabama. The Alabama Legislature in the 1882-83 session created a state normal school when Governor Edward O'Neal signed into law a bill creating the school on February 22, 1883. Jacksonville State Normal School acquired the facilities and equipment of Calhoun College, consisting of twelve acres of land and a two-story brick building. The Board of Directors elected James G. Ryals, Jr., as the first President. The school opened with three instructors: W. J. Borden, Mathematics; Eliza A. Bowen, English; and Ida J. Woodward, primary department. As stipulated in the establishing act, the Normal School conducted a preparatory school for children of the town and surrounding areas. At the end of the first year, on August 15, 1884, William Mark Haynes, President of the Board of Directors, reported that funds totaling \$4,751.25 had been received, including \$2,500 from the state, that 25 students were enrolled in the normal school, and that 222 were in the preparatory school.

The Normal School remained in operation until 1930, when it became Jacksonville State Teachers College, reflecting an increasing higher education role for the Institution. Five years later, the College earned regional accreditation from the Southern Association of Colleges and Schools. In 1957, the name again changed, to Jacksonville State College, when the first graduate program - the master's degree in elementary education - was created. On August 2, 1966, the Legislature authorized the State Board of Education to elevate the College to university status. On August 17, 1967, the Legislature established an independent Board of Trustees for the University and divested jurisdiction from the State Board of Education.

Jacksonville State University has been served by twelve presidents: James G. Ryals, Jr. (1883-1885), J. Harris Chappell (1885-1886), Carlton Bartlett Gibson (1886-1892), J. B. Jarrett (1892-1893), Jacob Forney IV (1893-1899), Clarence William Daugette (1899-1942), Houston Cole (1942-1971), Ernest Stone (1971-1981), Theron E. Montgomery (1981-1986), Harold J. McGee (1986-1999), William A. Meehan (1999-2015), and John M. Beehler (2015-present).

Jacksonville State University has developed into a modern regional university serving Northeast Alabama on a 464-acre campus with 69 buildings. In addition, the University operates off-campus centers at JSU-Gadsden and JSU-McClellan. Through its programs of teaching, research, and service, Jacksonville State University has served the region and the state for more than 130 years.

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Independent Auditor's Report

Independent Auditor's Report

To: Dr. John M Beehler, President - Jacksonville State University, Jacksonville, Alabama

Report on the Financial Statements

We have audited the accompanying basic financial statements of Jacksonville State University, as of and for the year ended September 30, 2015, as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statement 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 respective financial position of Jacksonville State University, as of September 30, 2015, and the Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, in fiscal year 2015, Jacksonville State University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. 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 (MD&A), the Schedule of the University's Proportionate Share of the Net Pension Liability, and Schedule of the University's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Jacksonville State University, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8) is presented for purpose of additional analysis as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, and is 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 financial statements. This information has been subjected to the auditing procedures applied in the audit of the 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, based on our audit, the procedures performed as described above, and the report of other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 1, 2016, 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 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 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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2016

Management's Discussion and Analysis
(Required Supplementary Information)

Management's Discussion and Analysis (MD&A)

Overview

Jacksonville State University provides distinctive educational, cultural and social experiences for a diverse student population. As a learning-centered university, Jacksonville State University strives to challenge students academically in a responsive environment, meeting students' educational, career and personal goals. As an academic institution, Jacksonville State University seeks to produce broadly educated graduates prepared for global engagement. As a public, comprehensive university, Jacksonville State University promotes excellence in scholarly and service activities consistent with its academic and professional strengths.

Jacksonville State University presents its financial statements for fiscal year ended September 30, 2015. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The following Management Discussion and Analysis and the accompanying financial statements for fiscal year ended September 30, 2015 are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, and Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

The purpose of the reporting standards is to provide financial information that is meaningful to the three groups of primary users of these statements: (a) those to whom government is primarily accountable (the citizenry), (b) those who directly represent the citizens (legislative and oversight bodies), and (c) those that lend or participate in the lending process (investors and creditors). The reader will find comparisons of key financial statement elements throughout the MD&A with the goal of presenting a meaningful overview of the University's financial condition.

Jacksonville State University is categorized under GASB as a special purpose government engaged only in business-type activities (BTA). The required financial reporting for BTAs include: (a) Management's Discussion and Analysis (MD&A), (b) Statement of Net Position, (c) Statement of Revenues, Expenses, and Changes in Net Position, (d) Statement of Cash Flows (e) Notes to the Financial Statements, and (f) Schedules of Required Supplementary Information. The financial statements are prepared under the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of when cash is exchanged.

Statement of Net Position

The Statement of Net Position presents the Assets, Liabilities, and Net Position of the University on September 30, 2015, the end of the University's fiscal year. Assets represent amounts or property that the University owns or is owed. Liabilities represent amounts owed to others or amounts collected from others that have not been earned since the service has not been provided as of the statement date. Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows) represents the residual interest in the assets after deducting liabilities. Net position is divided into three major categories. The first, Net Investment in Capital Assets, provides the institution's equity in property, plant, and equipment owned by the University. The Restricted Net Position category is subdivided into nonexpendable and expendable classifications. Restricted Nonexpendable Net Position consists solely of the University's permanent endowment funds and is only available for investment purposes. Expendable Restricted Net Position is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final major category, Unrestricted Net Position, is available to the University for any lawful purpose.

Condensed Statement of Net Position

	2015
Assets	
Current assets	\$ 82,328,988
Capital assets, net	103,120,620
Other assets	4,371,929
Total Assets	189,821,537
Deferred Outflow of Resources	
Deferral on refunding	1,388,630
Deferred Outflows related to Pensions	5,266,235
Total Deferred Outflow of Resources	6,654,865
Liabilities	
Current liabilities	32,349,193
Non-current liabilities	138,541,213
Total Liabilities	170,890,406
Deferred Inflow of Resources	
Deferred Inflows related to Pensions	5,011,000
Total Deferred Inflow of Resources	5,011,000
Net Position	
Net Investment in Capital Assets	31,178,447
Restricted-expendable	15,107,978
Restricted-non-expendable	952,823
Unrestricted	(26,664,250)
Total Net Position	\$ 20,574,998

“Current Assets” includes \$12.9 million in accounts receivable including \$5.9 million due from the federal government that was collected in October 2015. Current Assets deposited with trustees included \$5.7 million in short term investments that matured and were refinanced to long term during the current year.

“Capital Assets” of \$5 million were acquired during the year, and \$1.1 million in assets were retired. Assets depreciated \$6.7 million, approximately the same amount as in prior years.

“Deferral on Refunding” reflects refunded bonds in future fiscal years of \$1.3 million in deferred outflow of resources. The remainder of the deferred outflow of resources represents the new accounting standard on pensions (GASB 68). This \$5.2 million is employee pension cost that has not been considered when calculated our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

“Current Liabilities” consist of mainly unearned tuition and fees collected but not earned, and is consistent with prior years.

“Deferred Inflows” represent amounts that were earned from the RSA Pension Trust Fund in excess of the actual projections, and the change in our portion within the trust fund.

“Net Position, Unrestricted” for the prior year was restated by \$66.5 million, which is reflected in our beginning net position as the result of the GASB 68 standard. The impact of this change is discussed in the notes to the financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenue and expense activities are categorized as either operating or non-operating. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are considered non-operating revenue. Capital appropriations, grants and gifts, donations, and payments from endowments are considered neither operating nor non-operating revenues. They are reported after “Income Before Other Revenues, Expenses, Gains, or Losses.”

Due to this operating/non-operating classification and the fact that state appropriations are classified as non-operating, the University’s Statement of Revenues, Expenses, and Changes in Net Position reflects an operating loss. This operating loss is typical of all state supported/assisted institutions, and demonstrates the reliance on State appropriations.

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	2015
Operating revenues	\$ 69,058,530
Operating expenses	(116,668,341)
Operating Loss	(47,609,811)
Non-operating revenues and expenses	46,893,460
Increase (decrease) in net position	(716,351)
Net Position--Beginning of year restated	21,291,349
Net Position--End of year	\$ 20,574,998

As reflected in the table above, our net position decreased by \$716,351 during fiscal year 2015. A decrease in enrollment and a reduction in the number of major athletic events resulted in a reduction in operating revenue. These two factors resulted in an approximate \$2 million reduction.

Operating expenses during the period of \$116.6 million were basically consistent with prior periods.

Non-operating revenues and expenses decreased by \$500,000.00 due to changes in the federal student financial aid programs, mainly PELL. Changes in the equity markets required us to reduce our unrealized gains on endowments for the period. A smaller than usual loss on the disposal of capital assets help offset part of the non-operating reduction.

The Statement of Revenues, Expenses, and Changes in Net Position reports the University's operating expenses by functional classification. The following table presents operating expenses by natural classification:

	2015
Payments to employees	\$ 70,093,682
Utilities	4,710,503
Scholarships/Fellowships	12,857,924
Payments to suppliers	22,326,566
Depreciation	6,679,666
Total	\$ 116,668,341

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. This statement is designed to present the sources and uses of cash resources. GASB No. 34 classifies state appropriation and gift revenues, two sources of revenues relied upon heavily by public universities, as nonoperating revenues, while classifying the related expenditures of these sources as operating expenses. The statement activity is categorized into five parts: (1) operating activities, (2) non-capital financing activities, (3) capital and related financing activities, (4) investing activities, and (5) a reconciliation of the net cash used to the operating income or loss reflected in the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Cash Flows

	<u>2015</u>
Cash provided (used) by:	
Operating activities	\$ (42,003,335)
Non-capital financing activities	45,092,405
Capital and related financing activities	(10,810,095)
Investing activities	<u>94,507</u>
Net change in cash	(7,626,518)
Cash, beginning of year	<u>71,143,281</u>
Cash, end of year	<u>\$ 63,516,763</u>

The institution's total cash balance decreased approximately \$7.6 million. As discussed in the current asset section, amounts due from Federal programs resulted in increased receivables and a decrease in the cash provided from non-capital financing activities.

Capital Assets

Major capital assets placed in service during the 2014-15 fiscal year included the Pete Mathews Coliseum Renovation Project and the College of Nursing Brookstone Building Simulation Lab.

Debt Administration

The University's Statement of Net Position reflects \$72,844,900 in bonds payable on September 30, 2015.

The University's bonded indebtedness consists entirely of General Student Fee Revenue Bonds payable from general revenue of the university. Bonds in the amount of \$10,000,000 were issued in December 2008, for partial funding of the new Residence Housing project and JSU Stadium expansion. An additional \$61,655,000 of General Student Fee Revenue Bonds were issued in April 2009, to provide the remaining funding (\$55,000,000) needed to complete the project and to defease the 1999 bonds issued in the amount of \$6,665,000. In August 2011, \$11,060,000 of General Student Fee Revenue Bonds were used to defease the 2002 bond issue (\$10,385,000). In August 2014, \$12,055,000 of General Student Fee Revenue Bonds were issued to defease the 2008 bond issue (\$10,000,000). During the current fiscal year a portion of the 2009 issue was defeased resulting in a gain on refunding and a reduction in our debt service reserve requirement.

In 2015, Standard and Poor's Rating Services continued the "A" rating with a stable outlook to Jacksonville State University's bond indebtedness.

Economic Outlook

Financial challenges for Jacksonville State University brought on by the downturn of the economy have not impacted the quality of our academic programs, student support services, nor the public support services the university's constituents have come to expect.

Current levels of state support continue to result in students being asked to bear a larger financial burden for their education. The tuition and fees paid by Jacksonville State students remain at or below the state median. The administration is mindful of the increasing cost of attendance and the long-term implications on the student, their families, and the state's ability to provide an educated and competitive work force.

We are concerned that the economy will not provide the level of funding that Jacksonville State needs to compete and succeed in the years ahead. Additional sources of revenue will be required for JSU to continue to provide adequate support for our mission.

Donald W. Thacker
Interim Vice President
for Administrative and Business Affairs

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Basic Financial Statements

Statement of Net Position

September 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 63,516,763.45
Accounts Receivable, Net	12,960,111.26
Prepaid Expenses	132,973.54
Deposit with Bond Trustee	5,706,639.99
Investments	12,500.00
Total Current Assets	<u>82,328,988.24</u>

Noncurrent Assets

Notes Receivable, Net	459,050.16
Investments	3,858,241.63
Investment in Real Estate	54,637.00
Capital Assets:	
Land	4,873,225.94
Improvements Other Than Buildings	11,736,559.05
Buildings	172,633,200.13
Equipment and Furniture	14,006,497.34
Library Holdings	19,328,884.76
Capitalized Software	3,908,044.60
Construction in Progress	2,275,550.75
Less: Accumulated Depreciation	<u>(125,641,342.29)</u>
Total Capital Assets, Net of Depreciation	<u>103,120,620.28</u>
Total Noncurrent Assets	<u>107,492,549.07</u>
Total Assets	<u>189,821,537.31</u>

Deferred Outflows of Resources

Deferral on Refunding	1,388,630.38
Deferred Outflows of Resources Related to Pensions	5,266,235.47
Total Deferred Outflows of Resources	<u>\$ 6,654,865.85</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 4,501,228.09
Wages Payable	3,247,245.22
Student Deposits	15,790.00
Compensated Absences	934,912.85
Unearned Revenue	20,432,657.39
Bonds Payable	3,122,452.57
Leases Payable	58,373.67
Tuition Paid in Advance	36,532.84
Total Current Liabilities	<u>32,349,192.63</u>

Noncurrent Liabilities

Compensated Absences	864,075.52
Bonds Payable	69,722,449.16
Leases Payable	188,562.27
Deposits Held in Custody	1,218,125.76
Pension Liability	66,548,000.00
Total Noncurrent Liabilities	<u>138,541,212.71</u>

Total Liabilities	<u>170,890,405.34</u>
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Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions	<u>5,011,000.00</u>
Total Deferred Inflows of Resources	<u>5,011,000.00</u>

NET POSITION

Net Investment in Capital Assets	31,178,447.21
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	952,822.78
Expendable:	
Debt Service	6,129,346.36
Scholarships and Fellowships	6,325,084.52
Loans	2,653,547.39
Unrestricted	<u>(26,664,250.44)</u>
Total Net Position	<u>\$ 20,574,997.82</u>

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2015

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$19,938,090.19)	\$ 44,967,901.31
Federal Grants and Contracts	5,035,277.56
State and Local Grants and Contracts	2,818,084.40
Nongovernmental Grants and Contracts	1,413,494.25
Sales and Services of Educational Departments	81,029.78
Athletic Income	2,355,914.84
Interest Earned on Loans	37,270.39
Endowment Income	67,319.33
Other	375,718.28
Auxiliary Enterprises:	
Residential Life	6,532,147.45
Sales and Service	5,302,387.58
Other	71,984.49
Total Operating Revenues	<u>69,058,529.66</u>

OPERATING EXPENSES

Instruction	41,926,220.58
Public Service	2,487,981.52
Academic Support	6,344,901.34
Student Services	12,669,546.39
Research	2,663,724.33
Operation and Maintenance	10,955,032.08
Institutional Support	11,065,407.78
Scholarships and Financial Aid	12,857,923.94
Depreciation	6,679,666.45
Auxiliary Enterprises	8,862,563.25
Loan Cancellations/Write Offs	155,373.48
Total Operating Expenses	<u>116,668,341.14</u>
Operating Income (Loss)	<u>\$ (47,609,811.48)</u>

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

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$ 36,204,459.00
Federal Grants	13,721,520.74
Investment Income	76,497.55
Proceeds from Sale of Assets	6,638.62
Interest on Capital Asset Related Debt	(3,188,639.37)
Refund to Grantor	(33,651.64)
Rent	142,178.25
Bond Fees	(13,063.50)
Loss on Disposal of Capital Assets	(22,479.09)
Net Nonoperating Revenues	<u>46,893,460.56</u>
Changes in Net Position	<u>(716,350.92)</u>
Total Net Position - Beginning of Year, as Restated (See Note 19)	21,291,348.74
Total Net Position - End of Year	<u><u>\$ 20,574,997.82</u></u>

Statement of Cash Flows
For the Year Ended September 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 43,890,020.23
Federal Grants and Contracts	4,897,141.82
State and Local Grants and Contracts	2,332,599.46
Nongovernmental Grants and Contracts	1,399,327.52
Sales and Services of Educational Departments	81,029.78
Endowment Income	67,319.33
Athletic Income	2,355,914.84
Interest Earned from Loans	37,270.39
Auxiliary Enterprises Charges	
Other Auxiliary Operating Revenues	71,984.49
Residence Halls	6,532,147.45
Sales and Services of Auxiliary Departments	5,302,387.58
Other Operating Revenues	375,718.28
Payments to Suppliers	(21,684,087.17)
Payments to Employees	(70,093,681.62)
Utilities	(4,710,503.12)
Scholarships and Fellowships	(12,857,923.94)
Net Cash Provided (Used) by Operating Activities	<u>(42,003,334.68)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	36,204,459.00
Federal Grants	12,514,914.32
Return to Grantor	(33,651.64)
Deposit Liabilities	(165,328.22)
Other Nonoperating Revenues	(13,063.50)
Federal Direct Loan Receipts	38,656,115.00
Federal Direct Loan Lending Disbursements	(41,833,804.00)
Net Pension Activity	(237,235.47)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>45,092,405.49</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Deposits with Trustees	(7,644.00)
Purchases of Capital Assets	(5,042,801.56)
Proceeds from Sale of Property	6,638.62
Principal Paid on Capital Debt	(2,843,439.21)
Interest Paid on Capital Debt	(3,065,027.69)
Rental of Facilities	142,178.25
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (10,810,095.59)</u>

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

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	\$ 76,497.55
Purchase of Investments	18,009.89
Net Cash Provided (Used) by Investing Activities	<u>94,507.44</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,626,517.34)
Cash and Cash Equivalents - Beginning of Year	<u>71,143,280.79</u>
Cash and Cash Equivalents - End of Year	<u><u>63,516,763.45</u></u>

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

Operating Income (Loss)	(47,609,811.48)
-------------------------	-----------------

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	6,679,666.45
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(1,423,485.97)
(Increase)/Decrease in Student Deposits	(100.00)
(Increase)/Decrease in Prepaids	(51,234.85)
(Increase)/Decrease in Notes Receivable	175,964.38
Increase/(Decrease) in Accounts Payable	660,806.31
Increase/(Decrease) in Wages Payable	4,577.07
Increase/(Decrease) in Unearned Revenue	(468,046.90)
Increase/(Decrease) in Compensated Absences	<u>28,330.31</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (42,003,334.68)</u></u>

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***Consolidated Statement of Financial Position
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
As of December 31, 2014***

2014

Assets

Cash and Cash Equivalents	\$ 1,388,402.00
Prepaid Insurance	6,942.00
Investments	32,621,785.00
Charitable Remainder Trusts, Restricted	1,089,568.00
Unconditional Promises to Give, Net	1,215,633.00
Property and Equipment, Net	149,043.00
Total Assets	<u><u>36,471,373.00</u></u>

Liabilities and Net Assets

Liabilities

Accounts Payable	3,101.00
Charitable Trusts	236,343.00
Refundable Advances	1,780,371.00
Total Liabilities	<u><u>2,019,815.00</u></u>

Net Assets

Unrestricted	500,731.00
Temporarily Restricted	22,938,653.00
Permanently Restricted	11,012,174.00
Total Net Assets	<u><u>34,451,558.00</u></u>
Total Liabilities and Net Assets	<u><u>\$ 36,471,373.00</u></u>

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

Consolidated Statement of Activities
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted
<u>Revenue and Support</u>		
Contributions	\$	\$ 2,046,231.00
Investment Income		706,343.00
Realized Gain (Loss)		341,055.00
Unrealized Gain (Loss)		45,410.00
In-Kind Gifts	310,854.00	53,553.00
Other Income		440,613.00
Management Fee Income	285,500.00	
Total Revenue and Support	596,354.00	3,633,205.00
Net Assets Released from Restrictions	2,373,612.00	(2,373,612.00)
Net Revenue and Support	2,969,966.00	1,259,593.00
<u>Expenses</u>		
Program Services:		
JSU Supportive Services	3,090,497.00	
Total Program Services	3,090,497.00	-
Fundraising	43,113.00	
Management and General	36,189.00	
Total Expenses	3,169,799.00	-
Change in Net Assets	(199,833.00)	1,259,593.00
Net Assets - Beginning of Year	700,564.00	21,679,060.00
Net Assets - End of Year	\$ 500,731.00	\$ 22,938,653.00

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

Permanently Restricted	Total
\$ 301,424.00	\$ 2,347,655.00
	706,343.00
	341,055.00
	45,410.00
	364,407.00
	440,613.00
	285,500.00
301,424.00	4,530,983.00
301,424.00	4,530,983.00
	3,090,497.00
-	3,090,497.00
	43,113.00
	36,189.00
-	3,169,799.00
301,424.00	1,361,184.00
10,710,750.00	33,090,374.00
\$ 11,012,174.00	\$ 34,451,558.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 1 – Summary of Significant Accounting Policies

The financial statements of Jacksonville State University are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the 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 Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints Jacksonville State University’s Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Jacksonville State University is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Component Units

Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC, is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. The Foundation’s financial statements 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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 resources are available.

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

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

1. 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 reported at fair value based on quoted market prices.

2. Receivables

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

3. Capital Assets

Equipment, furniture, and vehicles with a unit cost of over \$5,000 and an estimated useful life in excess of one year, buildings and building improvements with a unit cost of over \$250,000 and an estimated useful life in excess of one year, land improvements with a unit cost of over \$100,000 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 and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land, 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets 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/Software, Cameras	Straight-Line	4 years
Athletic and 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

Notes to the Financial Statements

For the Year Ended September 30, 2015

4. 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 assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

5. 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 are deferred and amortized over the life of the bonds.

6. 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.

7. Deferred Inflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

8. Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized 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.

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 or inflows of resources at year-end related to capital assets are not included in this calculation.
- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
 - ✓ **Expendable** – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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

11. Federal Financial Assistance Programs

The University participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Office of Management and Budget (OMB) Compliance Supplement.

12. 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.

Note 2 – Deposits and Investments

A. Deposits

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

B. Investments

The University may invest its funds in securities and investments authorized by the **Code of Alabama 1975**, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the University may 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 of the United States of America that meet specified criteria.

Certificates of deposit in the amount of \$12,500.00 are held by financial institutions in the SAFE Program and are not subject to risk categorization.

As of September 30, 2015, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity in Years	
		Less Than 1	Greater Than 1
Mutual Funds	\$3,714,346.28	\$	\$3,714,346.28
Stocks	143,895.35		143,895.35
Real Estate	54,637.00		54,637.00
Total	<u>\$3,912,878.63</u>	<u>\$</u>	<u>\$3,912,878.63</u>

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

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal investment policy that limits the amount of securities that can be held by counter parties. The University was not exposed to any custodial credit risk at September 30, 2015.

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, 2015, the University had \$2,807,114.59 in mutual funds issued by Ameriprise Financial and \$720,314.76 in a Large Cap Value Fund issued by Legg Mason Global Asset Management.

Notes to the Financial Statements

For the Year Ended September 30, 2015

For the University Trustee that Holds Bond Funds

At September 30, 2015, the University had \$5,706,639.99 in accounts administered by its bond trustee. In accordance with the covenants of the University's Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

The balance on deposit with the trustee at September 30, 2015, was invested in U. S. Treasury Notes. These U. S. Treasury notes are rated Aaa by Moody's.

Note 3 – Receivables

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

<u>Accounts Receivable:</u>	
Federal	\$ 5,948,228.58
State	2,985,875.43
Other	1,161,137.01
Student Receivables	3,184,720.15
Less: Allowance for Doubtful Accounts	(319,849.91)
Total Accounts Receivable, Net	<u>12,960,111.26</u>
<u>Notes Receivables:</u>	
Loans	475,064.39
Less: Allowance for Doubtful Accounts	(16,014.23)
Total Notes Receivables, Net	<u>459,050.16</u>
 Total Receivables, Net	 <u><u>\$13,419,161.42</u></u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Reclassifications	Additions	Deductions	Ending Balance
Land	\$ 4,568,319.94	\$	\$ 304,906.00	\$	\$ 4,873,225.94
Improvements Other Than Buildings	11,736,559.05				11,736,559.05
Buildings	171,581,098.49		1,052,101.64		172,633,200.13
Equipment	13,863,707.12		1,014,774.62	871,984.40	14,006,497.34
Construction in Progress			2,275,550.75		2,275,550.75
Library Holdings	19,187,176.67		395,468.55	253,760.46	19,328,884.76
Capitalized Software	3,908,044.60				3,908,044.60
Total	224,844,905.87		5,042,801.56	1,125,744.86	228,761,962.57
Less: Accumulated Depreciation					
Improvements Other Than Buildings	11,473,985.71		165,312.04		11,639,297.75
Buildings	75,653,723.63		5,073,521.98		80,727,245.61
Equipment	11,623,304.49		973,300.32	849,505.31	11,747,099.50
Library Holdings	17,405,883.18		467,532.11	253,760.46	17,619,654.83
Capitalized Software	3,908,044.60				3,908,044.60
Total Accumulated Depreciation	120,064,941.61		6,679,666.45	1,103,265.77	125,641,342.29
Capital Assets, Net	\$104,779,964.26	\$	\$(1,636,864.89)	\$ 22,479.09	\$103,120,620.28

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, 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). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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

At September 30, 2015, the University reported a liability of \$66,548,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. 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, 2014, the University's proportion was 0.732539%, which was a decrease of 0.000393% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the University recognized pension expense of \$5,199,991.54. At September 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expended and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		4,990,000.00
Changes in proportion and differences between employer contributions and proportionate share of contributions		21,000.00
Employer contributions subsequent to the measurement date	5,266,235.47	
Total	\$5,266,235.47	\$5,011,000.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

Fiscal year 2015 employer contributions applied to pension liability \$5,266,235.47 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$(1,252,000.00)
2017	\$(1,252,000.00)
2018	\$(1,252,000.00)
2019	\$(1,252,000.00)
2020	\$ (3,000.00)
Thereafter	\$

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment Rate of Return (*)	8.00%
Projected Salary Increases	3.5%-8.25%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

F. Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 calculated using the discount rate of 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of collective net pension liability	\$90,659,000	\$66,548,000	\$46,112,000

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, 2014. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2015

I. Funding Policy

Jacksonville State University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teacher's Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by Jacksonville State University and its employees equals the required contributions for the year as follows:

Fiscal Year Ended September 30,	2015	2014	2013
Total Percentage of Covered Payroll			
Tier 1	19.21%	19.21%	17.58%
Tier 2	17.05%	17.08%	15.44%
Contributions:			
Percentage Contributed by the University:			
Tier 1	11.71%	11.71%	10.08%
Tier 2	11.05%	11.08%	9.44%
Percentage Contributed by Law Enforcement Employees:			
Tier 1	8.5%	8.5%	8.5%
Tier 2	7.0%	7.0%	7.0%
Percentage Contributed by Employees:			
Tier 1	7.5%	7.5%	7.5%
Tier 2	6.0%	6.0%	6.0%
Contributed by the University	\$5,434,708.93	\$5,428,626.22	\$4,626,004.26
Contributed by Employees	3,437,863.98	3,460,569.58	3,445,150.73
Total Contributions	<u>\$8,872,572.91</u>	<u>\$8,889,195.80</u>	<u>\$8,071,154.99</u>

Note 6 – Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Regular full-time employees who have completed two years of continuous service are eligible for an optional supplemental retirement program, Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). The University contributes 1% of gross salary for all eligible employees with an additional match to those employees who opt to contribute to the plan for an additional 2-4%. Jacksonville State University contributed \$1,407,478.95 under the plan for year ended September 30, 2015.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The University contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov> under the Employers' Financial Reports section. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* were implemented prospectively.

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2015
Individual Coverage – Non-Medicare Eligible	\$151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse – Non-Medicare Eligible	\$700.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$907.00
Surviving Spouse – Medicare Eligible	\$354.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$595.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$568.00

Notes to the Financial Statements

For the Year Ended September 30, 2015

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members who use tobacco products.

The University is required to contribute at a rate specified by the State for each active employee. The University's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By University	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2015	\$780.00	\$180.76	23.17%	\$1,944,348.91	100%
2014	\$714.00	\$220.09	30.83%	\$2,314,384.07	100%
2013	\$714.00	\$216.90	30.38%	\$2,314,076.69	100%

Notes to the Financial Statements

For the Year Ended September 30, 2015

Effective October 1, 2014, the PEEHIP allocation increased from \$714 per month to \$780. The Alabama legislature did not support funding to cover the employer rate increase for any University. As a result, the Jacksonville State University Board of Trustees voted to pass Resolution 561 authorizing an increase in the payroll deduction for each full-time, active University employee. Each JSU employee will be required to pay an additional deduction, based on the following sliding salary scale.

Salary Range	Staff and Escrow Faculty (*) Additional Monthly Insurance Deduction	Non-Escrow Faculty (**)
\$0 – \$34,999	\$46.00	\$ 61.33
\$35,000 – \$53,999	\$66.00	\$ 88.00
\$54,000 or more	\$86.00	\$114.67

(*) Escrow faculty are 9-month faculty who receive payments over 12 months.
(**) Non-escrow faculty are 9-month who receive payments over 9 months.

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 8 – On-Behalf Payments

The U. S. Department of Health and Human Services makes employer group waiver program (EGWP) payments under the provisions of Medicare Part D directly to the Public Education Employees' Health Insurance Plan (PEEHIP) on behalf of the University. The Early Retiree Reinsurance Program (ERRP) was created as part of the Patient Protection and Affordable Care Act of 2010. This program provides reimbursements to employers for eligible healthcare costs for certain early retirees. EGWP and ERRP reimbursements are considered to be voluntary non-exchange transactions between the federal government and the employers. For the period October 1 through September 30, 2015, these payments totaled \$435,527.44.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 9 – Construction and Other Significant Commitments

Jacksonville State University's construction project commitments as of September 30, 2015, are estimated at \$805,208.87 consisting primarily of various heating, ventilation and air conditioning projects and the President's home renovations.

As of September 30, 2015, Jacksonville State University had been awarded approximately \$10,591,066.28 in contracts and grants on which performance had not been initiated and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 10 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2015, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$3,247,245.22
Benefits	369,209.75
Payroll Taxes	1,238,573.92
Interest Payable	1,008,728.85
Vendors and Suppliers	1,884,715.57
Total	<u>\$7,748,473.31</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 11 – Lease Obligations

Capital Leases

The University leases certain items of equipment, which are classified as capital leases. The University entered into a lease agreement with Business Systems, Inc., in August 2013. The agreement is for \$9,393.12 over a 3-year period with interest at 1.549%. The University entered into a lease agreement with Cannon Financial Services, Inc., in October 2014. The agreement is for \$296,911.91 over a 5-year period with interest at 5.93%. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Years	Equipment
2015-2016	\$ 71,373.82
2016-2017	68,764.80
2017-2018	68,764.80
2018-2019	68,764.80
Minimum Lease Payments	277,668.22
Less: Amount Representing Interest	30,732.28
Present Value of Net Minimum Lease Payments	<u>\$246,935.94</u>

Note 12 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease Obligations	\$ 7,922.58	\$ 296,911.91	\$ 57,898.55	\$ 246,935.94	\$ 58,373.67
Revenue Bonds	76,050,000.00		3,090,000.00	72,960,000.00	3,130,000.00
Compensated Absences	1,770,658.06	963,243.16	934,912.85	1,798,988.37	934,912.85
Total Long-Term Liabilities	<u>\$77,828,580.64</u>	<u>\$1,260,155.07</u>	<u>\$4,082,811.40</u>	<u>\$75,005,924.31</u>	<u>\$4,123,286.52</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 Years	Principal	Interest	Total
2015-2016	\$ 3,130,000.00	\$ 2,999,346.36	\$ 6,129,346.36
2016-2017	3,230,000.00	2,898,090.11	6,128,090.11
2017-2018	3,330,000.00	2,795,080.73	6,125,080.73
2018-2019	3,440,000.00	2,682,565.10	6,122,565.10
2019-2020	3,565,000.00	2,561,615.10	6,126,615.10
2020-2021	2,935,000.00	2,450,621.35	5,385,621.35
2021-2022	3,040,000.00	2,349,102.60	5,389,102.60
2022-2023	3,150,000.00	2,242,925.10	5,392,925.10
2023-2024	2,100,000.00	2,152,888.22	4,252,888.22
2024-2025	2,170,000.00	2,077,878.84	4,247,878.84
2025-2026	2,255,000.00	1,994,818.84	4,249,818.84
2026-2027	2,350,000.00	1,906,061.96	4,256,061.96
2027-2028	2,435,000.00	1,814,016.33	4,249,016.33
2028-2029	2,535,000.00	1,715,192.58	4,250,192.58
2029-2030	2,645,000.00	1,607,295.70	4,252,295.70
2030-2031	2,755,000.00	1,490,040.07	4,245,040.07
2031-2032	2,895,000.00	1,355,434.44	4,250,434.44
2032-2033	3,045,000.00	1,203,221.93	4,248,221.93
2033-2034	3,205,000.00	1,043,065.67	4,248,065.67
2034-2035	3,375,000.00	874,453.16	4,249,453.16
2035-2036	3,555,000.00	696,871.90	4,251,871.90
2036-2037	3,740,000.00	509,937.52	4,249,937.52
2037-2038	3,935,000.00	313,265.64	4,248,265.64
2038-2039	4,145,000.00	106,215.63	4,251,215.63
Total	<u>\$72,960,000.00</u>	<u>\$41,840,004.88</u>	<u>\$114,800,004.88</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Bond Discounts and Premiums

The University has bond discounts premiums in connection with the issuance of its Tuition Revenue Bonds. The University also has an accounting loss associated with the refunding of the 2002 bonds. This is being amortized over the life of the 2011 bonds which was issued to refund the 2002 bonds.

	Loss on Refunding	Bond Discount and Premium
Total Loss on Refunding and Premium	\$1,717,092.64	\$123,903.60
Amount Amortized Prior Years	204,850.58	1,257.90
Balance Loss on Refunding and Premium	1,512,424.06	122,645.70
Current Amount Amortized	123,611.68	7,547.43
Balance Loss on Refunding and Premium	\$1,388,630.38	\$115,098.27

Pledged Revenues

The Jacksonville State University Board pledged student tuition and fees to repay \$61,665,000.00 in Tuition and Fee Revenue Bonds issued on April 1, 2009. The funds were used to refund the University's outstanding Revenue Bonds Series 1999, then outstanding in the amount of \$6,340,000.00 and also to construct, renovate, and equip a portion of certain capital improvements. Future revenues in the amount of \$90,734,660.93 are pledged to repay principal and interest on the bonds at September 30, 2015. Pledged revenues in the amount of \$44,967,901.31 were received during the fiscal year ended September 30, 2015, with \$4,527,656.26 or 10.1% of pledged revenues being used to pay principal and interest payments during this fiscal year. These bonds are scheduled to mature in fiscal year 2039.

The Jacksonville State University Board pledged student tuition and fees to repay \$11,060,000.00 in Tuition and Fee Revenue Bonds issued on August 1, 2011. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2002, then outstanding in the amount of \$11,030,000.00. Future revenues in the amount of \$9,104,112.50 are pledged to repay principal and interest on the bonds at September 30, 2015. Pledged revenues in the amount of \$44,967,901.31 were received during the fiscal year ended September 30, 2015, with \$1,138,275.00 or 2.5% of pledged revenues being used to pay principal and interest payments during this fiscal year. These bonds are scheduled to mature in fiscal year 2023.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2008, then outstanding in the amount of \$10,000,000.00. Future revenues in the amount of \$14,961,231.45 are pledged to repay principal and interest on the bonds at September 30, 2015. Pledged revenues in the amount of \$44,967,901.31 were received during the fiscal year ended September 30, 2015, with \$464,725.00 or 1% of pledged revenues being used to pay principal and interest payments during this fiscal year. These bonds are scheduled to mature in fiscal year 2031.

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 \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has a blanket fidelity bond that covers all employees.

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 and 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 which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 14 – Endowments

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's "long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic condition." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The President is authorized through the Board of Trustees to estimate revenue on endowments each year for expenditures. The current practice is to estimate revenue for most endowments at 1% of the assets. The remaining amount, if any, is retained to be used for future years when the amount computed exceeds the investment income. At September 30, 2015, net appreciation of \$1,214,222.37 is available to be spent for endowed purposes.

Note 15 – Component Units

During the year ended September 30, 2015, the Jacksonville State University Foundation, Inc., a discretely presented component unit, distributed \$659,258.30 to the University for both restricted and unrestricted purposes. This organization is included in the financial statements as a component unit of the University because it operates almost exclusively for the benefit of the University. Separate financial statements of the Jacksonville State University Foundation, Inc., can be obtained from Melanie Delap, 700 Pelham Road North, Rock House, Jacksonville, Alabama 36265.

Note 16 – Related Parties

Jacksonville State Alumni Association

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 statements of Jacksonville State Alumni Association. No material transactions occurred between the University and the Alumni Association.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 17 – Joint Venture

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 \$1,000,000.00 with an additional \$1,000,000.00 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.

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 \$3,500,000.00.

Note 18 – Subsequent Events

In December 2015, The Jacksonville State University Board of Trustees authorized the issuance of its approximately \$8,950,000 of Jacksonville State University Tuition and Fee Revenue Refunding Bonds for the purpose of refunding a portion of the Jacksonville State University Revenue Bonds, Series 2009.

In March 2016, The Jacksonville State University Board of Trustees authorized the issuance of its approximately \$9,160,000 of Jacksonville State University Tuition and Fee Revenue Refunding Bonds for the purpose of refunding a portion of the Jacksonville State University Revenue Bonds, Series 2009.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 19 – Net Position Restatement

In fiscal year 2015, Jacksonville State University adopted Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The adoption of this statement has a significant impact on the University's financial statements. For fiscal year 2015, Jacksonville State University made prior period adjustments due to the implementation of GASB Statement Number 68 which required the restatement of the September 30, 2014, net position. The result is a decrease in net position at October 1, 2014, of \$66,530,000.

Beginning Net Position, September 30, 2014	\$ 87,821,348.74
<u>Adjustments Due to Accounting Change:</u>	
To Record Pension Liability and Related Deferred Inflows and Outflows of Resources	<u>(66,530,000.00)</u>
Net Position, October 1, 2014, as Restated	<u>\$ 21,291,348.74</u>

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The overall mission of the Jacksonville State University Foundation, Inc., (the “Foundation”) is to maximize private gift support for Jacksonville State 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. JSUF Real Estate Holding Company, LLC (the Holding Company) was created in 2008 as a result of a noncash gift of a hotel to engage in the business of owning and operating a hotel and providing a facility for the use of University students to learn the business of operating a hotel. The hotel was sold in 2013. The Holding Company is wholly owned by the Foundation.

Basis of Accounting

The consolidated financial statements of Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Combination

The consolidated financial statements include the accounts of Jacksonville State University Foundation, Inc. and its wholly owned corporation, JSUF Real Estate Holding Company LLC. All material inter-organization transactions have been eliminated in consolidation.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are generally reported as decreases to unrestricted net assets. Expirations of donor-imposed stipulations are reported as net assets released from restrictions.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

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 investments.

Investments

Investments are in marketable debt and equity securities, mutual funds, land, limited partnerships, and alternative investments which are stated at fair value where appropriate, or at cost if their fair value cannot be reliably measured due to no active markets upon which they are traded.

Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value of the asset. Unrealized gains and losses result from changes in the fair value of investments.

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.

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. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

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 pledge receivable.

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. The Foundation uses an actuarial approach to determine both the contribution and liability amounts to be recognized. For remainder trusts held by the Foundation during the year ended December 31, 2014, the discount rate varied between 4.4% and 10.5%. There were no new trusts established in 2014.

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 of 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.

The property and equipment held by the JSUF Real Estate Holding Company, LLC are depreciated over the estimated useful lives of the related assets.

Management reviews the carrying value of capitalized assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. This review considers among other factors, (1) the net realizable value of each major classification of assets, (2) the cash flow associated with the asset, and (3) significant changes in the extent or manner in which major assets are used.

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.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Donated Services

Contributed services 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. Services received by the Foundation during the year include personnel salaries and office space paid by Jacksonville State University (\$310,771) as well as other in-kind contributions. For the year ended December 31, 2014, in-kind contributions totaled \$364,407.

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.

Hotel Income

The Holding Company considers hotel income as rentals become due. Rental payments received in advance are deferred until earned.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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 has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Code. 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, in the opinion of management, is not material to the basic financial statements taken as a whole.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

The Foundation follows the provision of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of December 31, 2014, the Agency had no uncertain tax positions that qualify for disclosure in the financial statements. The Foundation files an annual Form 990 with the Internal Revenue Service and its tax returns for previous open tax years may be subject to examination by taxing authorities.

The wholly-owned subsidiary, JSUF Real Estate Company, LLC is a for-profit organization that is disregarded for tax purposes.

Note 2 – Promises to Give

The Foundation had a capital campaign to raise money for various scholarships and University departments. Promises to give are restricted as designated by the donor.

Unconditional promises to give are as follows at December 31:

	2014
Receivable in Less Than One Year	\$ 183,110
Receivable in One to Five Years	371,391
Receivable in More Than Five Years	1,550,896
Total Unconditional Promises to Give	2,105,397
Less Allowance for Bad Debt	(640,000)
Less Discounts to Net Present Value at 3.25%	(249,764)
Net Unconditional Promises to Give	<u>\$1,215,633</u>

Note 3 – 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 account are FDIC insured up to the amount of \$250,000. At times cash balances may exceed FDIC insured limits.

Pledges receivable are principally with various individuals. Realization of these items is dependent on various individual economic conditions. Cash and investments are based on quoted market prices. Pledges receivable are carried at estimated net realizable values.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Note 4 – Split Interest Agreement

Of the \$1,089,568 held in trust, an investment in land with income from a ground lease was purchased in 2006 for \$262,780. The ground lease has an initial term that commenced on March 1, 2003, with minimum payments of \$1,750 per month for 20 years. The present value of the estimated future payments is \$125,623 at December 31, 2014.

The following is a schedule by years of future minimum rentals due under the ground lease at December 31, 2014:

2015	\$ 21,000
2016	21,000
2017	21,000
2018	21,000
2019	21,000
2020 and Beyond	66,500
	<u>\$171,500</u>

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Note 5 – Investments

Investments which include charitable remainder trusts that are reported primarily on the basis of quoted market prices and consist primarily of mutual funds, stocks, bonds, and alternative investments, as follows at December 31, 2014:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual Funds:			
Bond Funds	\$ 3,333,727	\$ 3,289,526	\$ (44,201)
Balanced Funds	6,674,221	6,344,173	(330,048)
Equity Funds	12,312,284	12,597,989	285,705
Index Funds	112,866	124,902	12,036
Money Markets	1,715,294	1,715,294	0
Government Obligations	1,085,962	1,056,859	(29,103)
Mortgaged Backed Securities	626,746	625,757	(989)
Corporate Obligations	3,489,570	3,482,727	(6,843)
Municipal Bonds	2,091,561	2,124,056	32,495
Common Stock:			
Financial	1,828	3,578	1,750
Consumer Goods	4,294	5,066	772
Basic Materials	4,380	4,623	243
Industrial Goods	4,052	5,054	1,002
Technology	4,202	5,443	1,241
Real Estate Investment Trusts	262,780	303,061	40,281
Alternative Investments	1,741,019	1,701,096	(39,923)
Total	<u>\$33,464,786</u>	<u>\$33,389,204</u>	<u>\$ (75,582)</u>

Investments that are reported at cost are as follows at December 31, 2014:

	Cost
Limited Partnerships	\$332,149
	<u>\$322,149</u>

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

The estimated fair value of debt securities at December 31, 2014, by contractual maturities, are 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	\$ 773,312
Due after One through Five Years	4,676,335
Due after Five through Ten Years	1,839,752
	<u>\$7,289,399</u>

Investment expenses were \$383,209 for the year ended December 31, 2014.

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 so much of 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.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
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For the Year Ended December 31, 2014

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 three percent (3.0%) 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 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 five percent (5%) of the average quarterly total balance for the previous twelve (12) 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 2.5% 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 net asset composition by type of fund as of December 31, 2014, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$	\$9,825,637	\$11,012,174	\$20,837,811

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Changes in endowment net assets as of December 31, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$	\$9,825,313	\$10,710,750	\$20,536,063
Contributions			301,424	301,424
Investment Income		458,824		458,824
Net Appreciation		327,722		327,722
Amounts Appropriated for Expenditure		(786,222)		(786,222)
Endowment Net Assets, End of Year	\$	\$9,825,637	\$11,012,174	\$20,837,811

Note 6 – Refundable Advances

Refundable advances at December 31, 2014, totaled \$1,780,371, and were held on behalf of another organization.

Note 7 – Property and Equipment

Property and equipment consisted of the following at December 31:

	2014
Land	<u>\$149,043</u>

Depreciation expense for the year ended December 31, 2014, was \$0.

The inter vivos endowment gift agreement states that if the hotel property is sold, 50% of the proceeds must be contributed to the permanent scholarship endowment. In 2013, the Holding Company sold all assets of its hotel operations.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Note 8 – Restriction/Limitations on Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2014:

Faculty Awards and Chairs	\$ 4,301,600
Scholarships and Grants	15,635,642
For Other Purposes	3,001,411
Total	<u>\$22,938,653</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from these assets can be used to fund scholarships.

Note 9 – Fair Value of Financial Instruments

FASB ASC 820-10-50 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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 prices such as 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 and asset or liability.

Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There were no changes in the valuations technique during the current year.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

The fair value of assets measured on a recurring basis at December 31, 2014, were as follows:

	December 31, 2014	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$22,356,590	\$22,356,590	\$	\$
Money Markets	1,715,294	1,715,294		
Government and Obligations	1,056,859		1,056,859	
Mortgage Backed Securities	625,757		625,757	
Corporate Obligations	3,482,727		3,482,727	
Municipal bonds	2,124,056		2,124,056	
Common Stock	23,764	23,764		
Real Estate Investment Trusts	303,061		303,061	
Alternative Investments	1,701,096		1,701,096	
Total Investments	<u>\$33,389,204</u>	<u>\$24,095,648</u>	<u>\$9,293,556</u>	<u>\$</u>

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

Level 1 measurements

Fixed income securities: Valuation is based on unadjusted quoted prices for identical assets in active markets that the foundation can access.

Equity securities: Comprise 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: 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.

Notes to the Financial Statements
Jacksonville State University Foundation, Inc.
and JSUF Real Estate Holding Company, LLC
For the Year Ended December 31, 2014

Corporate, including privately placed: 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. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Real estate investment trusts: 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, underlying prices and credit spreads.

Alternative investments: Comprise hedge funds and venture capital investments. 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.

Note 10 – Subsequent Events

Management has evaluated subsequent events through May 27, 2015, the date which the financial statements were issued.

Required Supplementary Information

***Schedule of the University's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2015
(dollar amounts in thousands)***

	2015
University's proportion of the net pension liability	0.732539%
University's proportionate share of the net pension liability	\$ 66,548
University's covered-employee payroll during the measurement period (*)	\$ 46,482
University's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.17%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

(*) University's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

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

Schedule of the University's Contributions
For the Year Ended September 30, 2015
(dollar amounts in thousands)

	2015
Contractually required contribution	\$ 5,266
Contributions in relation to the contractually required contribution	<u>\$ 5,266</u>
Contribution deficiency (excess)	\$
University's covered-employee payroll	\$ 46,684
Contributions as a percentage of covered-employee payroll	11.28%

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

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Student Financial Assistance Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Sub-Total Supplemental Educational Opportunity Grants		
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Sub-Total Federal Work-Study Program		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Sub-Total Federal Pell Grant Program		
Teacher Education Assistance for College and Higher Education Grants	84.379	
Teacher Education Assistance for College and Higher Education Grants	84.379	
Sub-Total Teacher Education Assistance for College and Higher Education Grants		
Total Student Financial Assistance Cluster (M)		
<u>Research and Development Cluster</u>		
<u>National Science Foundation</u>		
<u>Direct Program</u>		
Biological Sciences	47.074	
<u>U. S. Department of Defense</u>		
<u>Direct Program</u>		
Information Security Grants	12.902	
<u>U. S. Department of Interior</u>		
<u>Direct Program</u>		
Research Grants	15.650	

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2014-06/30/2015	\$ 231,517.00	\$ 231,517.00	\$ 127,504.90	\$ 127,504.90
07/01/2015-06/30/2016	244,229.00	244,229.00	106,287.19	106,287.19
			233,792.09	233,792.09
07/01/2014-06/30/2015	421,149.00	421,149.00	343,956.99	343,956.99
07/01/2015-06/30/2016	421,149.00	421,149.00	66,359.57	66,359.57
			410,316.56	410,316.56
07/01/2014-06/30/2015	13,930,820.35	13,930,820.35	6,723,874.38	6,723,874.38
07/01/2015-06/30/2016	12,417,822.00	12,417,822.00	6,364,837.00	6,364,837.00
07/01/2014-06/30/2015	17,655.00	17,655.00	17,655.00	17,655.00
			13,106,366.38	13,106,366.38
07/01/2014-06/30/2015	51,580.00	51,580.00	25,319.00	25,319.00
07/01/2015-06/30/2016	37,746.00	37,746.00	15,378.00	15,378.00
			40,697.00	40,697.00
			13,791,172.03	13,791,172.03
06/01/2012-05/31/2015	392,383.30	392,383.30	54,304.57	54,304.57
08/27/2015-08/27/2016	134,943.00	134,943.00	12,843.00	12,843.00
08/01/2015-09/30/2016	\$ 26,829.00	\$ 20,000.00	\$ 426.72	\$ 426.72

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Investing in Innovation (i3) Fund	84.411	
Fund for the Improvement of Postsecondary Education	84.116	
<u>Passed Through The University Corporation</u>		
Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	F-11-2963-3-JSU
Total Research and Development Cluster		
<u>Other Federal Awards</u>		
<u>U. S. Department of Education</u>		
<u>Direct Program</u>		
Higher Education - Institutional Aid (M)	84.031	
<u>Passed Through Alabama Department of Education</u>		
Mathematics and Science Partnerships	84.366	U500369
Mathematics and Science Partnerships	84.366	U400293
Total Mathematics and Science Partnerships (M)		
Title I Grants to Local Educational Agencies	84.010	N.A.
Special Education - Grants to States	84.027	N.A.
<u>Passed Through Alabama Commission on Higher Education</u>		
Improving Teacher Quality State Grants	84.367	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
Improving Teacher Quality State Grants	84.367	N.A.
<u>Passed Through the University of California</u>		
Improving Teacher Quality State Grants	84.367	92-AL01-SEED2012
Improving Teacher Quality State Grants	84.367	92-AL01-SEED2012
Total Improving Teacher Quality State Grants		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
01/01/2014-12/31/2018	\$ 13,254,378.00	\$ 11,679,098.00	\$ 1,972,703.81	\$ 1,972,703.81
10/01/2014-09/30/2018	3,175,302.00	3,175,302.00	1,016,551.66	1,016,551.66
10/01/2013-09/30/2016	287,543.00	287,543.00	95,566.86	95,566.86
			3,152,396.62	3,152,396.62
10/01/2014-09/30/2015	449,203.00	449,203.00	359,810.24	359,810.24
10/01/2014-09/30/2015	253,144.00	253,144.00	253,144.00	253,144.00
10/01/2013-02/28/2015	235,000.00	235,000.00	99,207.45	99,207.45
			352,351.45	352,351.45
12/08/2014-09/30/2015	19,971.00	19,971.00	19,781.81	19,781.81
12/08/2014-09/30/2015	10,000.00	10,000.00	8,796.15	8,796.15
01/30/2015-06/15/2016	54,771.00	32,000.00	17,147.50	17,147.50
01/30/2015-06/15/2016	35,000.00	35,000.00	16,997.60	16,997.60
01/30/2015-06/15/2016	193,120.17	140,000.00	70,879.34	70,879.34
01/27/2014-06/15/2015	88,784.00	70,000.00	47,821.02	47,821.02
01/27/2014-06/15/2015	180,695.78	145,000.00	56,752.59	56,752.59
05/01/2014-08/31/2016	20,000.00	20,000.00	9,420.93	9,420.93
08/01/2014-08/31/2015	\$ 20,000.00	\$ 20,000.00	16,490.00	16,490.00
			\$ 235,508.98	\$ 235,508.98

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Small Business Administration</u> <u>Passed Through the University of Alabama</u> Small Business Development Centers	59.037	SBA-UA15-019
<u>U. S. Department of Defense</u> <u>Passed Through the University of Alabama</u> Procurement Technical Assistance for Business Firms	12.002	UA14-044
<u>U. S. Department of Health and Human Services</u> <u>Passed Through National Association of County and City Health Officials</u> Medical Reserve Corps Small Grant Program	93.008	MRC15-1466
<u>Passed Through Alabama Department of Public Health</u> National Bioterrorism Hospital Preparedness Program	93.889	CEP-27-QW5-15
National Bioterrorism Hospital Preparedness Program	93.889	CEP-27-QW6-16
Total National Bioterrorism Hospital Preparedness Program		
<u>Passed Through University of Alabama</u> ARRA - Foster Care - Title IV - E	93.658	UA15-026
<u>General Services Administration</u> <u>Passed Through the Alabama Department of Economic and Community Affairs</u> Donation of Federal Surplus Personal Property (N)	39.003	N.A.
Total Federal Awards		

(M) = Major Program
(N) = Non-Cash Assistance
N.A. = Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2014-09/30/2015	\$ 177,761.00	\$ 87,507.00	\$ 74,609.75	\$ 74,609.75
08/01/2014-07/31/2015	88,000.00	44,000.00	23,255.27	23,255.27
01/07/2015-07/31/2015	3,500.00	3,500.00	2,937.78	2,937.78
07/01/2014-06/30/2015	20,000.00	20,000.00	19,914.74	19,914.74
07/01/2015-06/30/2016	20,000.00	20,000.00	116.38	116.38
			<u>20,031.12</u>	<u>20,031.12</u>
10/01/2014-09/30/2015	64,725.00	64,725.00	33,029.76	33,029.76
10/01/2014-09/30/2015	\$	\$	<u>10,785.32</u>	<u>10,785.32</u>
			<u>\$ 18,084,466.28</u>	<u>\$ 18,084,466.28</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jacksonville State University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 – Loans Outstanding

During the fiscal year ending September 30, 2015, the University issued \$41,837,471.00 to students under Federal Direct Student Loans (CFDA 84.268).

Additional Information

Members of the Board of Trustees and Officials
October 1, 2014 through September 30, 2015

Board Members		Term Expires
Hon. Robert Bentley	Governor	Ex-Officio
Dr. Thomas R. Bice	State Superintendent of Education	Ex-Officio
Hon. Jim Bennett	Chairman	2019
Senator Vivian Davis Figures		2023
Hon. Gale Saxon Main		2023
Hon. Gregory D. Brown		2021
Hon. William Ronald Smith		2016
Hon. Clarence W. Daugette, III		2023
Hon. Randall Earlie Jones		2021
Hon. Thomas W. Dedrick, Sr.		2019
Hon. James L. Coxwell, Sr.		2015
Hon. Randy Y. Owen		2024
Hon. Tony L. Ingram		2021

Officials

Dr. John M. Beehler	President Effective July 1, 2015
Dr. William A. Meehan	President Retired June 30, 2015
Mrs. Allyson G. Barker	Vice-President for Administrative and Business Affairs

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

Independent Auditor's Report

To: Dr. John M. Beehler, President – Jacksonville State University, Jacksonville, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of Jacksonville State University as of and for the year ended September 30, 2015, 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 June 1, 2016. Our report includes a reference to other auditors who audited the financial statements of Jacksonville State University Foundation, Inc. as described in our report on Jacksonville State University's financial statements. The financial statements of Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC, were not audited in accordance with ***Government Auditing Standards***.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. 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 over 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jacksonville State University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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***.

Purpose of this Report

This report is intended 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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2016

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

To: Dr. John M. Beehler, President – Jacksonville State University, Jacksonville, Alabama

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 Circular A-133 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, 2015. Jacksonville State University's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC, were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to Jacksonville State University Foundation, Inc. and JSUF Real Estate Holding Company, LLC.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Jacksonville State University's compliance for each of Jacksonville State University's major 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 OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 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 also 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 on Jacksonville State University's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

In our opinion, Jacksonville State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

The 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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133***

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 1, 2016

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified?	_____ Yes <u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ Yes <u> X </u> No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.379	Teacher Education Assistance for College and Higher Education Grants
84.268	Federal Direct Student Loans
84.031	Higher Education – Institutional Aid
84.366	Mathematics and Science Partnerships

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Dollar threshold used to distinguish between

Type A and Type B programs:

\$300,000.00

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	