

A large American flag is waving in the foreground, partially obscuring a multi-story university building in the background. The building has a prominent arched entrance and many windows. The sky is clear and blue.

**JACKSONVILLE STATE UNIVERSITY**  
ANNUAL FINANCIAL REPORT | FISCAL YEAR 2025





Jacksonville State University  
(A Component Unit of the State of Alabama)  
Annual Financial Report  
Fiscal Year 2025

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**SENIOR VICE PRESIDENT FOR  
FINANCE & ADMINISTRATION**  
JACKSONVILLE STATE UNIVERSITY

## LETTER OF TRANSMITTAL

April 10, 2026

Board of Trustees  
Jacksonville State University

Dear Trustees,

I am pleased to present to you the audited Annual Financial Statements of Jacksonville State University ("JSU") as of and for the year ended September 30, 2025.

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

Warren Averett, CPAs and Advisors has performed the audit for the year ended September 30, 2025, and has issued an "unmodified" opinion, the most favorable outcome of the audit process. The audit opinion provides reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Arlitha Harmon".

Arlitha Harmon, Ph.D.



## Board of Trustees

<b>Name</b>	<b>District</b>	<b>Term</b>
The Honorable Kay Ivey	Governor of Alabama	President Ex Officio
Senator Vivian Davis Figures (Vice Chair)	In-State At-Large	2012-2029
Mr. Loring White	First	2025-2031
Ms. Gale Saxon Main	Second	2012-2029
Mr. Greg Brown	Third	2016-2027
Mr. Anthony Smoke	Third	2019-2028
Mr. Clarence W. Daugette III	Fourth	2012-2029
Mr. Randall Jones (Chair)	Fifth	2008-2027
Mr. Rusty Fuller	Sixth	2016-2025
Mr. Drew Linn	Seventh	2020-2025
Mr. Randy Owen	In-State At-Large	2000-2030
Mr. Tony Ingram	Out-of-State At-Large	2015-2027
Ms. Cheryl Bevelle-Orange	Out-of-State At-Large	2025-2031

### **President**

Dr. Don C. Killingsworth, Jr., Ed.D

### **Senior Vice President of Finance and Administration**

Arlitha Harmon, Ph.D.

### **Controller**

David Lyon, CPA





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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2025**



**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
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Jackson State University  
RESPIRATORY



You Might Find  
Being a  
Respiratory Therapist  
is Easy.  
But it's NOT!



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Jacksonville State University

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Jacksonville State University (the University), a component unit of the State of Alabama, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of September 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the accompanying supplementary information on pages 74 through 79 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

**Other Information**

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2026, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Birmingham, Alabama  
April 6, 2026



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

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

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**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of Jacksonville State University (University) for the years ended September 30, 2025, 2024 and 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements, including the notes thereto, which follow this section.

**Using the Financial Statements**

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

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

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

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

**Statement of Net Position**

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

**Condensed Statements of Net Position (\$ in thousands)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Assets</b>			
Current assets	\$ 118,000	\$ 127,088	\$ 104,283
Capital assets, net	537,234	473,675	472,751
Other assets	24,255	22,984	17,151
Total assets	<u>679,489</u>	<u>623,747</u>	<u>594,185</u>
<b>Deferred outflows of resources</b>			
Deferral on refunding	3,157	3,481	3,804
Deferred outflows related to OPEB	55,990	17,588	20,863
Deferred outflows related to pensions	23,364	32,125	42,902
Total deferred outflows of resources	<u>82,511</u>	<u>53,194</u>	<u>67,569</u>
<b>Liabilities</b>			
Current liabilities	85,789	75,458	70,823
Noncurrent liabilities	466,587	400,826	412,239
Total liabilities	<u>552,376</u>	<u>476,284</u>	<u>483,062</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	20,576	6,166	6,133
Deferred inflows related to OPEB	29,241	40,742	50,401
Total deferred inflows of resources	<u>49,817</u>	<u>46,908</u>	<u>56,534</u>
<b>Net position</b>			
Net investment in capital assets	238,622	209,542	207,676
Restricted – expendable	19,086	16,836	15,766
Restricted – nonexpendable	964	964	964
Unrestricted	(98,865)	(73,593)	(102,248)
Total net position	<u>\$ 159,807</u>	<u>\$ 153,749</u>	<u>\$ 122,158</u>

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

Current assets for September 30, 2025, include approximately \$21,878,000 in accounts receivable, net, including approximately \$5,164,000 due from the Federal Emergency Management Agency (FEMA). Noncurrent assets include long-term investments of approximately \$13,244,000.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

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Current assets for September 30, 2024, include approximately \$27,334,000 in accounts receivable, net, including approximately \$11,494,000 due from the Federal Emergency Management Agency (FEMA). Noncurrent assets include long-term investments of approximately \$12,196,000.

Current assets for September 30, 2023, include approximately \$22,826,000 in accounts receivable, net, including approximately \$1,921,000 due from the state insurance fund. Noncurrent assets include long-term investments of approximately \$6,659,000.

For fiscal year 2025, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately \$3,157,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflows of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of approximately \$55,990,000. The balance of approximately \$23,364,000 is due to employee pension cost that has not been considered when calculating pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2024, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately \$3,481,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflows of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of approximately \$17,588,000. The balance of approximately \$32,125,000 is due to employee pension cost that has not been considered when calculating pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2023, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of approximately \$3,804,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflows of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of approximately \$20,863,000. The balance of approximately \$42,902,000 is due to employee pension cost that has not been considered when calculating pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. Current liabilities are those due or likely to be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll, compensated absences, unearned revenue, and other expenses and amounts due in the next year on debt. Noncurrent liabilities are comprised mostly of long-term debt, net pension liability, and OPEB liability. During fiscal year 2025, total liabilities increased approximately \$76,092,000 to a total of approximately \$552,376,000. The total liability balance at the end of fiscal years 2024 and 2023 was approximately \$476,284,000 and \$483,062,000, respectively.

For fiscal year 2025, deferred inflows of resources represent amounts related to pension in the amount of approximately \$20,576,000 and OPEB of approximately \$29,241,000.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

For fiscal year 2024, deferred inflows of resources represent amounts related to pension in the amount of approximately \$6,166,000 and OPEB of approximately \$40,742,000.

For fiscal year 2023, deferred inflows of resources represent amounts related to pension in the amount of approximately \$6,133,000 and OPEB of approximately \$50,401,000.

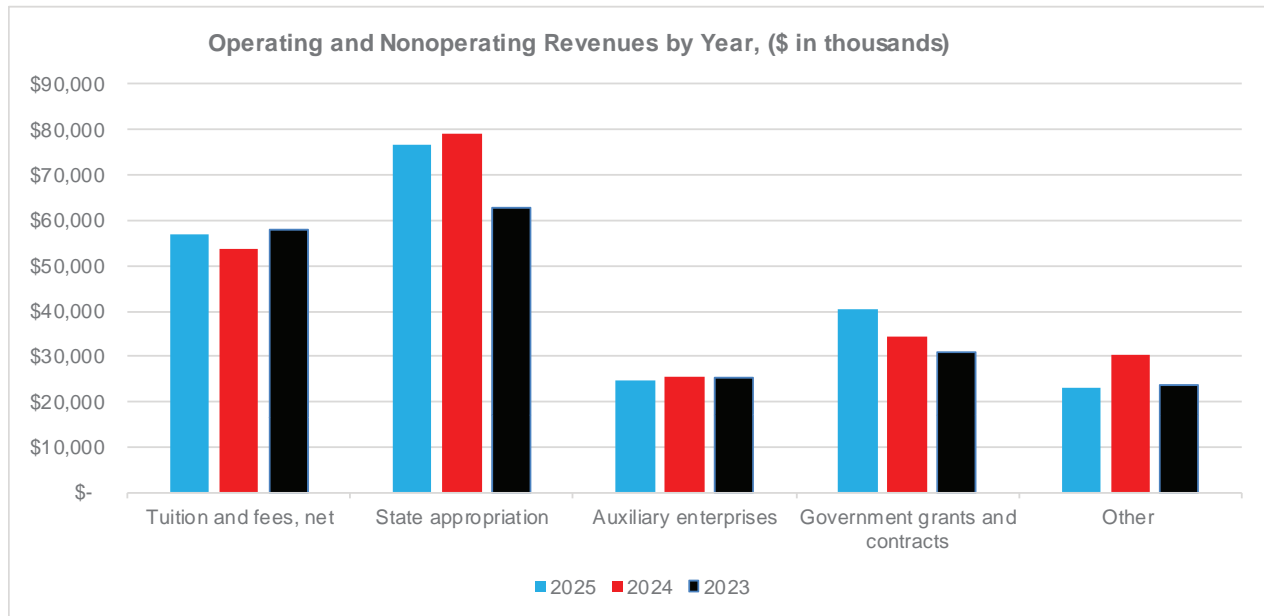
**Statement of Revenues, Expenses and Changes in Net Position**

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 117,419	\$ 109,500	\$ 105,423
Operating expenses	<u>(211,344)</u>	<u>(192,964)</u>	<u>(174,058)</u>
Operating loss	(93,925)	(83,464)	(68,635)
Net nonoperating revenues	96,770	108,089	89,712
Capital grants and contracts	<u>3,213</u>	<u>6,966</u>	<u>11,704</u>
Change in net position	6,058	31,591	32,781
Net position at beginning of year	153,749	122,158	89,334
Cumulative effect of change in accounting principle	-	-	43
Net position at end of year	<u>\$ 159,807</u>	<u>\$ 153,749</u>	<u>\$ 122,158</u>

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**



The Statement of Revenues, Expenses and Changes in Net Position for 2025 reflects an overall increase in net position of approximately \$6,058,000. Net student tuition and fee revenue totaled approximately \$56,865,000 in 2025 as compared to approximately \$53,853,000 in 2024 and \$57,775,000 in 2023, an increase of approximately \$3,012,000 from 2024. Grant and contract revenue from government sponsors totaled approximately \$40,373,000 for 2025, as compared to approximately \$34,277,000 in 2024 and \$30,852,000 in 2023. State appropriation decreased by approximately \$2,176,000 or 2.75% from approximately \$79,035,000 in 2024 to approximately \$76,859,000 in 2025. State appropriation increased by approximately \$16,225,000 or 25.83% from approximately \$62,810,000 in 2023 to approximately \$79,035,000 in 2024. Auxiliary revenues decreased by approximately \$870,000 or 3.41% from approximately \$25,536,000 in 2024 to approximately \$24,666,000 in 2025. This decrease is primarily attributable to housing and meal plans. Auxiliary revenues increased by approximately \$68,000 or 0.27% from approximately \$25,468,000 in 2023 to approximately \$25,536,000 in 2024. This increase was primarily attributable to housing and meal plans.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

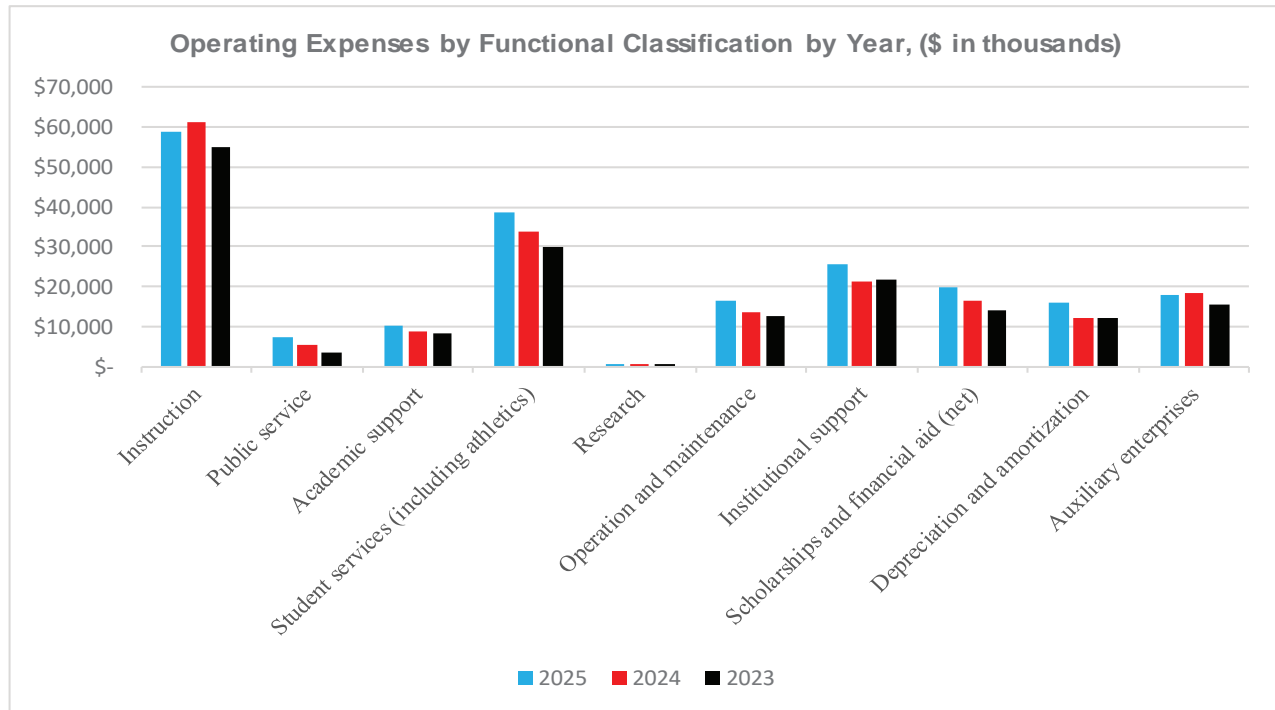
In 2023, the University adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires subscription-based information technology arrangements (SBITAs) to be recorded as both an intangible asset and a corresponding subscription liability; provides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

In 2025, the University adopted the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes updated recognition and measurement criteria for compensated absence liabilities. In connection with the adoption of this standard, management completed a comprehensive review of existing leave policies, accrual methodologies, and historical usage patterns. Based on this analysis, the University determined that the impact of applying GASB 101 did not result in a material adjustment to beginning net position or to the current year financial statements. Accordingly, no restatement was required, and the standard's adoption is reflected prospectively in these financial statements.

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

	<b>Operating Expenses</b>					
	<b>Functional Classification (\$ in thousands)</b>					
	<b>2025</b>	<b>%</b>	<b>2024</b>	<b>%</b>	<b>2023</b>	<b>%</b>
Instruction	\$ 58,985	27.9%	\$ 61,410	31.8%	\$ 55,170	31.7%
Public service	7,286	3.4%	5,650	2.9%	3,661	2.1%
Academic support	10,083	4.8%	8,783	4.6%	8,315	4.8%
Student services (including athletics)	38,598	18.3%	33,934	17.6%	29,845	17.1%
Research	553	0.3%	557	0.3%	538	0.3%
Operation and maintenance	16,499	7.8%	13,811	7.2%	12,530	7.2%
Institutional support	25,531	12.1%	21,358	11.1%	21,902	12.6%
Scholarships and financial aid (net)	20,060	9.5%	16,402	8.5%	14,074	8.1%
Depreciation and amortization	15,901	7.5%	12,441	6.4%	12,222	7.0%
Auxiliary enterprises	17,848	8.4%	18,618	9.6%	15,801	9.1%
Total operating expenses	\$ 211,344	100.0%	\$ 192,964	100.0%	\$ 174,058	100.0%

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**



For fiscal year 2025, total operating expenses increased by approximately \$18,380,000 or 9.53%, primarily due to an increase in student services, including athletics of \$4,664,000, and an increase in institutional support of \$4,173,000. For fiscal year 2024, total operating expenses increased by \$18,906,000 or 10.86%, primarily due to an increase in instructional expenses of approximately \$6,240,000 and an increase in student services, including athletics of approximately \$4,089,000. For fiscal year 2023, total operating expenses totaled approximately \$174,058,000.

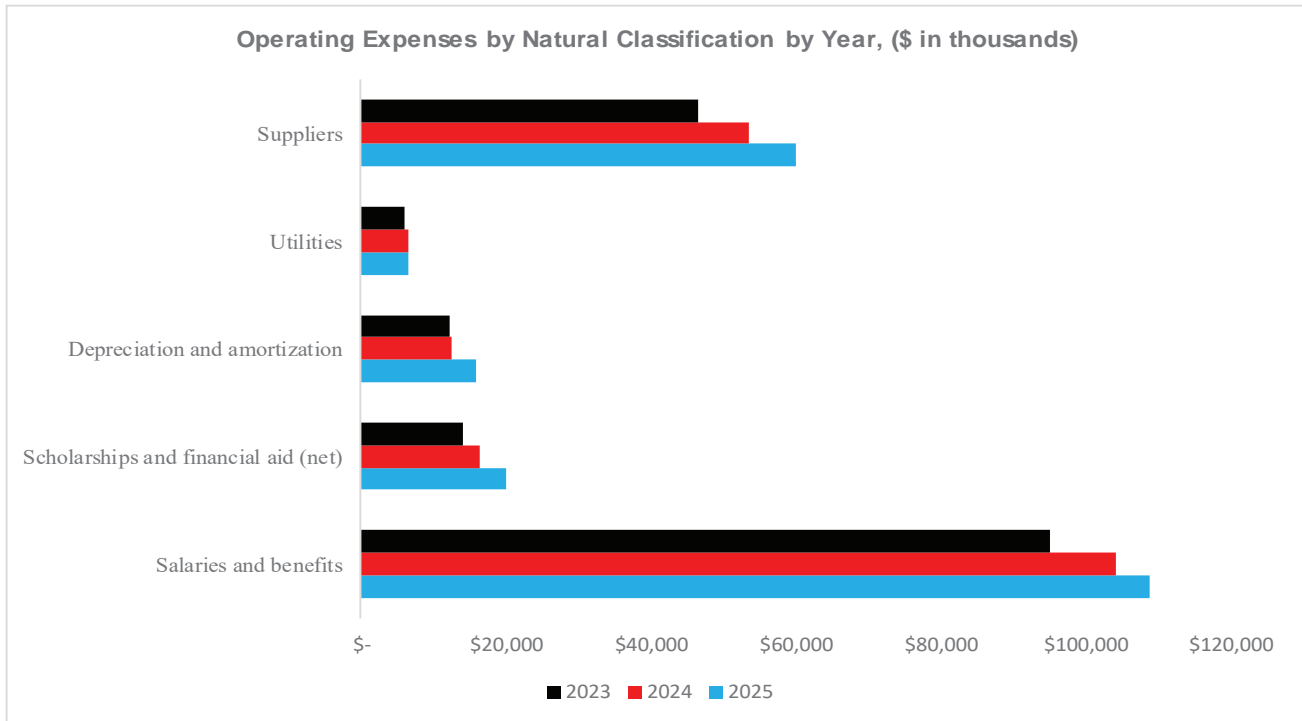
A comparison of operating expenses by natural classification for selected fiscal years follows:

	<b>Operating Expenses</b>					
	<b>Natural Classification (\$ in thousands)</b>					
	<b>2025</b>	<b>%</b>	<b>2024</b>	<b>%</b>	<b>2023</b>	<b>%</b>
Salaries and benefits	\$ 108,931	54.0%	\$ 104,117	54.0%	\$ 95,235	54.7%
Scholarships and financial aid (net)	20,060	8.5%	16,402	8.5%	14,074	8.1%
Depreciation and amortization	15,901	6.4%	12,441	6.4%	12,222	7.0%
Utilities	6,479	3.3%	6,429	3.3%	5,992	3.5%
Suppliers	59,973	27.8%	53,575	27.8%	46,535	26.7%
	<u>\$ 211,344</u>	<u>100.0%</u>	<u>\$ 192,964</u>	<u>100.0%</u>	<u>\$ 174,058</u>	<u>100.0%</u>

For fiscal year 2025, total operating expenses increased by \$18,380,000 or 9.53%, primarily due to increased payments to suppliers of \$6,398,000 and increased salaries and benefits of \$4,814,000.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

For fiscal year 2024, total operating expenses increased by \$18,906,000 or 10.86%, primarily due to increased salaries and benefits of approximately \$8,882,000 and increased payments to suppliers of \$7,039,000. For fiscal year 2023, total operating expenses totaled approximately \$174,058,000.



A portion of University resources applied to student accounts for tuition, fees or room and board is not reported as student aid expense, but is reported in the financial statements as a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Scholarship allowances totaled approximately \$49,780,000 in 2025, approximately \$47,726,000 in 2024 and approximately \$43,062,000 in 2023. In addition to the allowances, students participate in governmental financial aid/loan programs. The loans are not recorded as revenue or expense in the financial statements, but are recorded in the Statements of Cash Flows as direct lending receipts totaling approximately \$43,375,000, approximately \$43,870,000 and approximately \$44,433,000 in 2025, 2024 and 2023, respectively.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

**Condensed Statements of Cash Flows (\$ in thousands)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash provided by (used in):			
Operating activities	\$ (58,876)	\$ (69,207)	\$ (52,465)
Noncapital financing activities	103,697	108,519	86,275
Capital and related financing activities	(52,472)	(21,495)	(16,233)
Investing activities	<u>2,723</u>	<u>(811)</u>	<u>(6,868)</u>
Net change in cash	(4,928)	17,006	10,709
Cash, beginning of year	<u>87,204</u>	<u>70,198</u>	<u>59,489</u>
Cash, end of year	<u>\$ 82,276</u>	<u>\$ 87,204</u>	<u>\$ 70,198</u>

During fiscal year 2025, the University's total cash balance decreased by approximately \$4,928,000. During fiscal year 2024, the University's total cash balance increased by approximately \$17,006,000. During fiscal year 2023, the University's total cash balance increased by approximately \$10,709,000.

**Capital and Debt Activities**

Construction in progress at September 30, 2025, totaled approximately \$76,959,000 and included the following major projects: West Village and the Randy Owen Performing Arts Center.

Construction in progress at September 30, 2024, totaled approximately \$23,451,000 and included the following major projects: South Complex, Kitty Stone renovations and the Randy Owen Performing Arts Center.

Construction in progress at September 30, 2023, totaled approximately \$29,944,000 and included the following major projects: South Complex, Kitty Stone renovations and the Randy Owen Performing Arts Center.

**Debt and Leases**

At September 30, 2025, total debt outstanding, including leases and SBITA obligations, totaled approximately \$311,895,000.

At September 30, 2025, the University had a "BBB" stable outlook credit rating from Standard and Poor's, and a "Baa1" credit rating from Moody's. In February 2023, the University was downgraded to a "BBB" stable outlook credit rating from Standard and Poor's and an "A3" credit rating from Moody's. These downgrades were due to the increased debt load with the issuance of the 2023 Series Bonds by the Jacksonville State University Foundation. In October 2024, the University was downgraded to a "Baa1" credit rating with a stable outlook from Moody's. This downgrade was due to the increased debt load expected from the subsequent issuance of the 2024 Series Bonds by the Jacksonville State University Foundation.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

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

### **Other Economic and Financial Conditions**

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

### **Capital Projects**

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

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

On December 1, 2024, the Foundation secured the Higher Educational Facilities Revenue Bonds (Series 2024-A), totaling \$88,510,000, and the Taxable Higher Educational Facilities Revenue Bonds (Taxable Series 2024-B), totaling \$7,865,000. The Foundation will use these proceeds to construct replacement student housing facilities in accordance with the development agreement. On December 1, 2024, the University entered into a sublease agreement with the Foundation, which will expire on August 1, 2056. The sublease allows the University to operate and maintain student housing at the University. This project is estimated to be completed in Fall 2026 and will have a transformational impact on the University.

Through the ongoing support of the Jacksonville State University Foundation (JSUF), the Series 2023 and Series 2024 Bonds will allow JSU to enhance where students live, eat, study and socialize. The University's sublease of the JSUF's housing, dining and athletic bond-financed facilities continues to foster the University's mission to provide a thriving learning and living community that supports the student experience.

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

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### **Randy Owen Center for the Performing Arts**

During 2025, the University continued construction of the Randy Owen Center for the Performing Arts (ROC). The ROC is a significant capital investment designed to enhance instructional, performance, and community engagement opportunities. The project includes a 1,000 seat performance hall, recording studio, lobby and support spaces, and renovated areas within an existing structure. Construction activity progressed throughout the year, with significant work completed on building systems, interior finishes, and specialized performance infrastructure.

Substantial completion was originally anticipated in October 2025; however, construction schedules were revised due to delays related to mechanical systems, specialized performance, and audiovisual equipment installation. Based on the most recent approved schedules, substantial completion is projected for May 2026, with final completion anticipated later the next month. University management continues to actively monitor the project schedule and work with the construction manager and design team to advance the remaining work.

As of year end, the facility had not been placed into service, and all costs incurred remain recorded as construction in progress. The project is funded through Public School and College Authority (PSCA) and other authorized capital resources. Final project costs will be determined upon completion of remaining construction activities and project closeout.

### **Tornado Damage and Recovery Effects**

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

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

### **FEMA Reimbursements**

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

**JACKSONVILLE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025 AND 2024  
(UNAUDITED)**

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

**ServPro Settlement**

On August 28, 2025, an arbitration award was issued in favor of BWW, Inc., d/b/a/ ServPro of Birmingham (ServPro) related to restoration and remediation services provided to Jacksonville State University after a tornado hit the campus on March 19, 2018. On September 22, 2025, the University and ServPro entered into a settlement agreement resolving all outstanding matters for a total amount of \$10,600,000. The University remitted payment of the settlement amount on October 24, 2025. The arbitration award was subsequently vacated by the courts in which the disputes were pending.



## **FINANCIAL STATEMENTS**

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2025 AND 2024**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

	<b>2025</b>	<b>2024</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 82,275,290	\$ 87,203,936
Accounts receivable, net of allowance of \$4,546,098 (\$3,556,962 in 2024)	21,877,979	27,334,106
Prepaid expenses and unearned scholarships	13,847,153	12,549,839
Total current assets	118,000,422	127,087,881
<b>ASSETS WHOSE USE IS LIMITED</b>		
Trustee-held funds	10,072,205	9,667,224
<b>NONCURRENT ASSETS</b>		
Notes receivable, net of allowance of \$793,465 (\$750,200 in 2024)	885,455	1,065,983
Investments	13,244,129	12,195,604
Investments in real estate	54,637	54,637
Land	7,786,279	7,476,424
Right-of-use buildings, net	165,030,543	172,668,499
Right-of-use equipment, net	371,205	492,345
Right-of-use IT software, net	2,413,330	2,158,314
Capital assets, net of accumulated depreciation of \$197,231,278 (\$185,273,924 in 2024)	361,631,519	290,880,051
Total noncurrent assets	551,417,097	486,991,857
Total assets	679,489,724	623,746,962
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to refunding of debt	3,156,870	3,480,774
Deferred outflows of resources related to OPEB	55,989,867	17,588,705
Deferred outflows of resources related to pensions	23,364,000	32,125,000
Total deferred outflows of resources	82,510,737	53,194,479
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 762,000,461</b>	<b>\$ 676,941,441</b>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2025 AND 2024**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

	<u>2025</u>	<u>2024</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 25,955,397	\$ 12,589,839
Wages payable	5,087,029	4,593,335
Unearned revenue	41,103,752	42,099,081
Current portion of compensated absences	1,340,335	1,262,360
Current portion of long-term debt	10,076,244	12,632,906
Current portion of lease and SBITA obligations	<u>2,225,773</u>	<u>2,280,661</u>
Total current liabilities	<u>85,788,530</u>	<u>75,458,182</u>
<b>NONCURRENT LIABILITIES</b>		
Compensated absences, less current portion	1,234,114	1,166,573
Deposits held in custody	1,983,288	1,945,992
Long-term debt, less current portion	299,592,913	262,422,290
Net pension liability	101,920,000	122,018,000
OPEB liability	<u>61,857,078</u>	<u>13,272,866</u>
Total noncurrent liabilities	<u>466,587,393</u>	<u>400,825,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to OPEB	29,241,418	40,742,084
Deferred inflows of resources related to pensions	<u>20,576,000</u>	<u>6,166,000</u>
Total deferred inflows of resources	<u>49,817,418</u>	<u>46,908,084</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>602,193,341</u>	<u>523,191,987</u>
<b>NET POSITION</b>		
Net investment in capital assets	238,621,658	209,542,411
Restricted:		
Nonexpendable	964,155	964,155
Expendable:		
Scholarships and fellowships	16,580,780	14,424,018
Loans	2,505,259	2,412,176
Unrestricted	<u>(98,864,732)</u>	<u>(73,593,306)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 159,807,120</u>	<u>\$ 153,749,454</u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC.**  
**(Discretely Presented Component Unit of Jacksonville State University)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**

	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,266,895	\$ 5,790,782
Restricted cash	109,260,736	67,908,991
Investments	48,960,285	45,135,272
Prepaid expenses	335,600	140,977
Promises to give, net	2,849,690	4,873,864
Accrued interest receivable	443,315	-
Charitable remainder trusts – restricted	2,410,807	1,634,693
Related party receivable	400,000	500,000
Other assets	15,956	-
Property and equipment, net	160,761,442	105,715,700
<b>TOTAL ASSETS</b>	<b>\$ 328,704,726</b>	<b>\$ 231,700,279</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 6,154,394	\$ 8,454,882
Refundable advances	2,614,029	2,403,977
Charitable remainder trusts obligations	1,880,287	406,019
Bonds payable	261,992,412	163,688,522
Accrued interest on bonds payable	4,175,722	3,922,326
<b>TOTAL LIABILITIES</b>	<b>276,816,844</b>	<b>178,875,726</b>
<b>NET ASSETS</b>		
Without donor restrictions	1,369,977	2,040,708
With donor restrictions	50,517,905	50,783,845
Total net assets	51,887,882	52,824,553
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 328,704,726</b>	<b>\$ 231,700,279</b>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Tuition and fees, net of scholarship allowance of \$49,780,422 (\$47,726,002 in 2024)	\$ 56,865,428	\$ 53,852,737
Other federal grants and contracts	8,760,075	8,082,813
State and local grants and contracts	5,432,401	3,019,680
Nongovernmental grants and contracts	4,575,579	3,831,060
Sales and services of educational departments	4,899,107	3,833,626
Athletic income	5,220,868	7,276,157
Other operating revenues	6,999,937	4,068,137
Auxiliary enterprises:		
Residential life	14,002,641	14,372,824
Sales and service	10,663,345	11,163,514
Total operating revenues	<u>117,419,381</u>	<u>109,500,548</u>
<b>OPERATING EXPENSES</b>		
Instruction	58,984,704	61,410,015
Public service	7,286,344	5,650,436
Academic support	10,082,984	8,782,595
Student services, including athletics	38,597,901	33,933,606
Research	553,358	556,690
Operation and maintenance	16,499,093	13,811,165
Institutional support	25,530,646	21,358,433
Scholarships and financial aid	20,060,196	16,402,104
Depreciation and amortization	15,901,429	12,440,520
Auxiliary enterprises	17,847,593	18,618,034
Total operating expenses	<u>211,344,248</u>	<u>192,963,598</u>
Operating loss	<u>(93,924,867)</u>	<u>(83,463,050)</u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	\$ 76,859,235	\$ 79,034,860
Federal grants	26,180,753	23,174,085
Insurance recovery income	284,305	5,632,296
Investment income	4,176,154	5,192,834
(Loss) gain on disposal of capital assets	(3,253,430)	66,233
Rental of facilities	334,924	440,011
Interest on debt	<u>(7,812,040)</u>	<u>(5,451,253)</u>
Net nonoperating revenues	<u>96,769,901</u>	<u>108,089,066</u>
Capital activities		
Capital grants and contracts		
State	<u>3,212,632</u>	<u>6,965,738</u>
Increase in net position	<u>6,057,666</u>	<u>31,591,754</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>153,749,454</u>	<u>122,157,700</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 159,807,120</u></u>	<u><u>\$ 153,749,454</u></u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC.**  
**(Discretely Presented Component Unit of Jacksonville State University)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, INVESTMENT INCOME AND OTHER SUPPORT</b>			
Contributions	\$ 161,276	\$ 6,257,211	\$ 6,418,487
Net investment return	769,395	6,174,972	6,944,367
In-kind gifts	-	46,822	46,822
Other income	23,488	1,185,146	1,208,634
Management fee income	375,563	-	375,563
Service fee income	4,345,000	-	4,345,000
Total revenues, investment income and other support	5,674,722	13,664,151	19,338,873
Net assets released from restrictions	13,930,091	(13,930,091)	-
Total revenues, investment income and other support	19,604,813	(265,940)	19,338,873
<b>EXPENSES</b>			
Program services	17,599,461	-	17,599,461
Management and general	2,434,115	-	2,434,115
Fundraising	241,968	-	241,968
Total expenses	20,275,544	-	20,275,544
<b>CHANGE IN NET ASSETS</b>	(670,731)	(265,940)	(936,671)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	2,040,708	50,783,845	52,824,553
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,369,977</u>	<u>\$ 50,517,905</u>	<u>\$ 51,887,882</u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC.**  
**(Discretely Presented Component Unit of Jacksonville State University)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, INVESTMENT INCOME AND OTHER SUPPORT</b>			
Contributions	\$ 459,072	\$ 4,064,069	\$ 4,523,141
Net investment return	272,490	8,070,295	8,342,785
In-kind gifts	1,750	42,091	43,841
Other income	443,981	1,759,498	2,203,479
Management fee income	344,287	-	344,287
Service fee income	4,235,000	-	4,235,000
Total revenues, investment income and other support	<u>5,756,580</u>	<u>13,935,953</u>	<u>19,692,533</u>
Net assets released from restrictions	<u>10,373,641</u>	<u>(10,373,641)</u>	<u>-</u>
Total revenues, investment income and other support	<u>16,130,221</u>	<u>3,562,312</u>	<u>19,692,533</u>
<b>EXPENSES</b>			
Program services	12,800,413	-	12,800,413
Management and general	416,918	-	416,918
Fundraising	152,735	-	152,735
Total expenses	<u>13,370,066</u>	<u>-</u>	<u>13,370,066</u>
<b>CHANGE IN NET ASSETS</b>	2,760,155	3,562,312	6,322,467
<b>NET (DEFICIT) ASSETS AT BEGINNING OF YEAR</b>	<u>(719,447)</u>	<u>47,221,533</u>	<u>46,502,086</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 2,040,708</u></u>	<u><u>\$ 50,783,845</u></u>	<u><u>\$ 52,824,553</u></u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts related to tuition and fees	\$ 59,992,137	\$ 55,759,918
Receipts related to grants and contracts	16,946,478	16,253,155
Receipts related to sales and services of educational departments	4,899,107	3,833,626
Receipts related to athletic income	5,220,868	7,276,157
Receipts related to auxiliary enterprises	24,665,986	25,536,338
Other operating receipts	10,336,131	(1,304,321)
Payments to suppliers and vendors	(56,903,682)	(56,338,399)
Payments to utilities	(5,267,947)	(5,053,674)
Payments to employees for services	(98,117,819)	(97,953,931)
Payments for scholarships and grants	<u>(20,647,181)</u>	<u>(17,215,592)</u>
Net cash used in operating activities	<u>(58,875,922)</u>	<u>(69,206,723)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	76,859,235	79,034,860
Additional state grant	284,305	5,632,296
Federal grants	26,184,787	23,145,778
Federal direct loan receipts	43,374,826	43,869,852
Federal direct loan disbursements	(43,378,860)	(43,841,545)
Deposits held for others	37,296	237,467
Other nonoperating activities	<u>334,924</u>	<u>440,011</u>
Net cash provided by noncapital financing activities	<u>103,696,513</u>	<u>108,518,719</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Receipts from capital grants and gifts	3,212,632	6,965,738
Principal paid on revenue bonds	(2,960,000)	(2,825,000)
Principal paid on capital leases	(2,828)	(87,074)
Purchase of capital assets	(41,596,838)	(18,466,345)
Proceeds from sale of capital assets	215,970	66,233
Repayment of construction loan	(2,705,814)	-
Interest paid on construction loan	(265,182)	(311,189)
Interest paid on capital debt and leases	<u>(8,369,825)</u>	<u>(6,837,506)</u>
Net cash used in capital and related financing activities	<u>(52,471,885)</u>	<u>(21,495,143)</u>

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	\$ 1,175,953	\$ 2,525,805
Proceeds from sale and maturity of investments	1,889,494	853,173
Purchase of investment securities	(342,799)	(4,189,982)
Net cash provided by (used in) investing activities	2,722,648	(811,004)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,928,646)	17,005,849
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	87,203,936	70,198,087
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 82,275,290	\$ 87,203,936
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (93,924,867)	\$ (83,463,050)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	15,901,429	12,440,520
Changes in assets, liabilities and deferrals:		
Accounts receivable, net	5,456,127	(4,508,261)
Prepaid expenses and unearned scholarships	(1,297,314)	(1,290,532)
Notes receivable, net	180,528	171,212
Compensated absences	145,516	117,685
Accounts payable and wages payable	13,902,604	1,501,557
Pension related deferrals and liabilities	3,073,000	10,117,122
OPEB related deferrals and liabilities	(1,317,616)	(6,484,350)
Change in unearned revenue	(995,329)	2,191,374
Net cash used in operating activities	\$ (58,875,922)	\$ (69,206,723)

See notes to the financial statements.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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## **1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Jacksonville State University (the University or JSU) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The University is affiliated with Jacksonville State University Foundation, Inc. (the Foundation), a legally separate, not-for-profit corporation. The Foundation's primary mission is to maximize private gift support for the University while laying the groundwork for future fundraising success in order to aid the University in fulfilling its mission of excellence in education, research and service. The more significant accounting policies of the University and the Foundation are described below.

### **Reporting Entity**

Jacksonville State University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama. The Governor appoints Jacksonville State University's Board of Trustees, and the Alabama Senate ratifies the appointments. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Jacksonville State University is considered, for financial reporting purposes, to be a component unit of the State of Alabama.

GASB Statement No. 61 amended GASB Statements No. 14 and No. 39 and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. The statement also clarifies reporting and disclosure requirements for those organizations. Based on these criteria as of September 30, 2025 and 2024, the University reports the Foundation as a discretely presented component unit. The Foundation follows the Financial Accounting Standards Board (FASB) rather than GASB. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements for these differences. Significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

The fiscal year of the Foundation is different from that of the University. The fiscal year of the Foundation is December 31, 2024 and 2023; thus, the component unit is presented in the report on its respective fiscal year. Complete financial statements of the Foundation can be obtained directly from the University's administrative office.

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**Basis of Accounting and Financial Statement Presentation – University**

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

The statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University. Exchange transactions are those in which each party to the transaction receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the University’s principal activities, such as investment income, and from all nonexchange transactions, such as state appropriations.

**Net Position**

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

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

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

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

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

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

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**Basis of Accounting and Financial Statement Presentation – Foundation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting which conforms to GAAP.

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

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities, revenues and expenses as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Revenue Recognition**

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

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

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

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**Cash and Cash Equivalents**

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

**Assets Whose Use is Limited**

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

**Accounts Receivable and Notes Receivable**

Accounts receivable consists primarily of tuition and fees charged to students and amounts due from the federal government, state and local governments, third-party tuition and auxiliary enterprise sales. Notes receivable reflects amounts due from students for institutional loans collected by the University. Accounts receivable is recorded net of an allowance for uncollectible accounts of \$4,546,098 at September 30, 2025 (\$3,556,962 at September 30, 2024). Notes receivable is recorded net of an allowance for uncollectible accounts of \$793,465 at September 30, 2025 (\$750,200 at September 30, 2024).

**Prepaid Expenses and Unearned Scholarships**

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

**Investments – University**

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

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

**Investments – Foundation**

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

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

**Capital Assets**

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

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

Buildings	24-40 years
Improvements other than buildings	5-10 years
Equipment	4-8 years
Library materials	8 years
Capitalized software	8 years
Internally generated computer software	8 years
Easement and land use rights	20 years
Patents, trademarks and copyrights	20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated, the cost and related accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is included in the statement of revenues, expenses and changes in net position.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the years ended September 30, 2025 and 2024, no impairments were recorded.

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**Right-of-Use Assets and Financing Lease Obligations**

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

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

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

**Subscription-Based Information Technology Arrangements (SBITA)**

The University has various ongoing software licenses and subscriptions as part of its business as an end user. Under GASB 96, a SBITA is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. As an end user, the University continues to assess both of the following for each contract: (1) the right of the end user to obtain the present service capacity from use of the underlying IT asset(s) as specified in the contract, and (2) the right of the end user to determine the nature and manner of use of the underlying IT asset(s) as specified in the contract. SBITA contracts with terms in excess of 12 months are designated as intangible right-to-use IT software assets. Intangible right-to-use assets are amortized over the shorter of the SBITA term or the useful life of the underlying assets. Amortization of intangible right-to-use IT software assets is reported as an outflow of resources and is included in depreciation expenses in the statements of revenues, expenses and changes in net position. For SBITA contracts that do not specify an interest rate, the University applied incremental borrowing rates between 3.13% and 3.71%.

**Contributions and Promises to Give – Foundation**

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

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

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

**In-Kind Gifts**

For the Foundation, in-kind gifts are recognized at fair value if the services received (1) create or enhance long-lived assets, or (2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses, or capitalized, based on the nature of the donation. In-kind gifts for the years ended December 31, 2024 and 2023, were \$46,822 and \$43,841, respectively.

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

**Deferred Outflows and Inflows of Resources**

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

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

**Unearned Revenue**

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

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**Long-Term Debt**

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

**Loan Costs**

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

**Compensated Absences**

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows: staff and department head employees earn eight hours per month of sick leave with no maximum accumulation. Staff and department head employees earn and accumulate annual leave at rates which are shown below:

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

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

**Federal Financial Assistance Programs**

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

**Student Allowances and Student Financial Aid**

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

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**Pensions**

The Teachers' Retirement System of Alabama (the Plan or TRS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**New Accounting Pronouncements**

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement clarifies the types of leave that should be recognized as liabilities, establishes a single measurement model for compensated absences, and requires disclosure of descriptive information about compensated absences balances. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. Management has determined that adoption of this statement did not have a material impact on the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged. Management has determined there was no material impact from its adoption of GASB Statement No. 102.

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**New Accounting Pronouncements – Not Yet Adopted**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues and modifies existing accounting and financial reporting requirements related to: management's discussion and analysis, unusual or infrequent items (previously known as extraordinary and special items), changes in fund net position, major component unit information and budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The University has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. This statement also requires additional disclosures for capital assets held for sale. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The University has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of the financial statement users. This statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with GAAP, and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events framework of GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific disclosure requirements for nonrecognized events. The requirements of this statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Earlier application is encouraged. The University has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

**Income Taxes**

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

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

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The Foundation applies guidance issued by the FASB relating to uncertainty in income taxes. This guidance requires entities to assess their tax positions for the likelihood that they would be overturned upon IRS examination or upon examination by state taxing authorities. The Foundation has assessed its tax positions and determined that it does not have any positions at December 31, 2024 or 2023, that it would be unable to substantiate. Under statute, the Foundation is subject to IRS and state taxing authority review for tax years ended December 31, 2021, through December 31, 2024. The Foundation has filed tax returns through December 31, 2024.

**Advertising – Foundation**

Advertising costs are expensed as incurred by the Foundation and are included in the functional expense section in the statement of activities and changes in net assets. For the years ended December 31, 2024 and 2023, advertising expenses were \$238,578 and \$187,907, respectively.

**Functional Expenses – Foundation**

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

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

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through April 6, 2026, the date that the financial statements were available to be issued.

**2. CASH AND CASH EQUIVALENTS**

Pursuant to the Security for Alabama Funds Enhancement Act (SAFE), funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama. At September 30, 2025, the University's deposits held by financial institutions participating in the SAFE program totaled \$83,935,319 (\$89,024,292 at September 30, 2024).

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### **3. INVESTMENTS**

#### **University Investments**

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

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

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

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

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

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

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

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The following table summarizes the fair value measurements for all University investment assets carried at fair value as of September 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 8,220,350	\$ -	\$ -	\$ 8,220,350
Stocks	797,262	-	-	797,262
Certificates of deposit	4,226,517	-	-	4,226,517
Real estate	-	-	54,637	54,637
Total investments	<u>\$ 13,244,129</u>	<u>\$ -</u>	<u>\$ 54,637</u>	<u>\$ 13,298,766</u>

The following table summarizes the fair value measurements for all University investment assets carried at fair value as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 7,934,189	\$ -	\$ -	\$ 7,934,189
Stocks	211,911	-	-	211,911
Certificates of deposit	4,049,504	-	-	4,049,504
Real estate	-	-	54,637	54,637
Total investments	<u>\$ 12,195,604</u>	<u>\$ -</u>	<u>\$ 54,637</u>	<u>\$ 12,250,241</u>

*Interest Rate Risk* – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate risk. At September 30, 2025 and 2024, the University did not have any investments subject to interest rate risk.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University does not have a formal investment policy that specifically addresses its investment choices related to this risk. At September 30, 2025 and 2024, the University did not have any investments subject to credit risk.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of a failure of the counterparty to a transaction, an organization will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The University does not have an investment policy that limits the amount of securities that can be held by counterparties.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal

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investment policy limiting investments to any one issuer to less than five percent of the University's total investments. At September 30, 2025, the University had \$6,562,146 in mutual funds issued by Ameriprise Financial; \$4,226,517 in certificates of deposit with ServisFirst Bank; and \$1,658,204 in a Large Cap Value Fund issued by Franklin Templeton. At September 30, 2024, the University had \$5,894,339 in mutual funds issued by Ameriprise Financial; \$4,049,504 in a certificate of deposit with ServisFirst Bank; and \$1,571,679 in a Large Cap Value Fund issued by Franklin Templeton.

**Foundation Investments**

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

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

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

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

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

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

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

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

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

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

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

The following table sets forth by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 339,076	\$ -	\$ -	\$ 339,076
Taxable – fixed income	-	8,591,838	-	8,591,838
Other – fixed income	-	1,203,865	-	1,203,865
Large cap – equity funds	17,030,269	-	-	17,030,269
Mid-cap – equity funds	4,369,176	-	-	4,369,176
Small cap – equity funds	4,542,355	-	-	4,542,355
Other – equity funds	8,904,188	-	-	8,904,188
Alternative investments	-	-	3,979,518	3,979,518
Total investments	<u>\$ 35,185,064</u>	<u>\$ 9,795,703</u>	<u>\$ 3,979,518</u>	<u>\$ 48,960,285</u>

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The following table sets forth by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds	\$ 314,443	\$ -	\$ -	\$ 314,443
Tax exempt – fixed income	-	44,222	-	44,222
Taxable – fixed income	-	10,167,171	-	10,167,171
Other – fixed income	-	1,058,387	-	1,058,387
Large cap – equity funds	13,476,634	-	-	13,476,634
Mid-cap – equity funds	4,013,166	-	-	4,013,166
Small cap – equity funds	4,152,217	-	-	4,152,217
Other – equity funds	8,207,876	-	-	8,207,876
Alternative investments	-	-	3,701,156	3,701,156
Total investments	<u>\$ 30,164,336</u>	<u>\$11,269,780</u>	<u>\$ 3,701,156</u>	<u>\$45,135,272</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**

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

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

**Level 2 Measurements**

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

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

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

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

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

**Level 3 Measurements**

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2024:

Balance at January 1, 2024	\$ 3,701,156
Realized and unrealized gains	175,913
Acquisitions	323,307
Sales	(259,385)
Return of capital	38,527
	<u>38,527</u>
Balance at December 31, 2024	<u>\$ 3,979,518</u>

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2023:

Balance at January 1, 2023	\$ 4,171,569
Realized and unrealized losses	(277,483)
Acquisitions	9,508
Sales	(242,683)
Return of capital	40,245
	<u>40,245</u>
Balance at December 31, 2023	<u>\$ 3,701,156</u>

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**Trustee-Held Funds**

The Trust Indenture of the Public Education Building Authority of Jacksonville (Jacksonville State University Foundation Bonds), Series 2023-A and Series 2023-B, established certain funds to be controlled by a trustee. The balance in the trustee-held funds at September 30, 2025, was \$10,072,205 (\$9,667,224 at September 30, 2024). The Trustee-held funds are made up of previously restricted funds and gift income received from the Jacksonville State University Foundation, plus reinvested interest earned during the period. These funds are made up of cash and cash equivalents investments.

**4. RECEIVABLES**

**University**

Receivables are reported net of uncollectible amounts and are summarized as follows at September 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Accounts receivable		
Federal	\$ 7,197,392	\$ 12,722,643
State	5,278,708	4,488,171
Other	3,792,821	5,267,398
Student accounts receivable	10,155,156	8,412,856
Less allowance for doubtful accounts	<u>(4,546,098)</u>	<u>(3,556,962)</u>
Total accounts receivable, net	<u>\$ 21,877,979</u>	<u>\$ 27,334,106</u>
Notes receivable		
Loans	\$ 1,678,920	\$ 1,816,183
Less allowance for doubtful accounts	<u>(793,465)</u>	<u>(750,200)</u>
Total notes receivable, net	<u>\$ 885,455</u>	<u>\$ 1,065,983</u>
Total receivables, net	<u>\$ 22,763,434</u>	<u>\$ 28,400,089</u>

**Foundation**

The Foundation's promises to give consist of amounts that are both restricted and unrestricted in nature. The Foundation's capital campaign, which is to obtain funding for various scholarships and University departments, raised funds that are generally classified as revenue or support with donor restrictions. Any restrictions on promises to give are based on donor designations. The Foundation had \$12,337 and \$44,257 in promises to give without donor restrictions, and \$4,459,866 and \$5,464,602 in promises to give with donor restrictions at December 31, 2024 and 2023, respectively.

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The discount rate used to calculate net present value at December 31, 2024 and 2023, was 4.0%.

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 2,515,007	\$ 2,547,462
Receivable in one to five years	1,684,696	2,506,397
Receivable in more than five years	<u>272,500</u>	<u>455,000</u>
Total unconditional promises to give	4,472,203	5,508,859
Less allowance for doubtful accounts	(1,457,487)	(371,771)
Less discount to net present value	<u>(165,026)</u>	<u>(263,224)</u>
Net unconditional promises to give	<u>\$ 2,849,690</u>	<u>\$ 4,873,864</u>

## 5. CAPITAL ASSETS

### Financing Leases

A summary of the University's financing lease right-of-use assets activity for the year ended September 30, 2025, follows:

	<u>Balance at September 30, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Lease Incentives</u>	<u>Balance at September 30, 2025</u>
Right-of-use buildings	\$ 177,001,536	\$ -	\$ -	\$ (6,060,521)	\$ 170,941,015
Right-of-use equipment	605,006	-	(7,593)	-	597,413
Right-of-use IT software	<u>3,048,447</u>	<u>1,101,436</u>	<u>(291,710)</u>	<u>-</u>	<u>3,858,173</u>
	180,654,989	1,101,436	(299,303)	(6,060,521)	175,396,601
Less accumulated amortization for right-of-use assets:					
Right-of-use buildings	4,333,037	1,577,435	-	-	5,910,472
Right-of-use equipment	112,661	121,140	(7,593)	-	226,208
Right-of-use IT software	<u>890,133</u>	<u>846,420</u>	<u>(291,710)</u>	<u>-</u>	<u>1,444,843</u>
	<u>5,335,831</u>	<u>2,544,995</u>	<u>(299,303)</u>	<u>-</u>	<u>7,581,523</u>
Right-of-use assets, net	<u>\$ 175,319,158</u>				<u>\$ 167,815,078</u>

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A summary of the University's financing lease right-of-use assets activity for the year ended September 30, 2024, follows:

	<b>Balance at September 30, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at September 30, 2024</b>
Right-of-use buildings	\$ 184,371,425	\$ -	\$ (7,369,889)	\$ 177,001,536
Right-of-use equipment	135,996	469,010	-	605,006
Right-of-use IT software	1,911,955	1,820,657	(684,165)	3,048,447
	<u>186,419,376</u>	<u>2,289,667</u>	<u>(8,054,054)</u>	<u>180,654,989</u>
Less accumulated amortization for right-of-use assets:				
Right-of-use buildings	3,111,650	1,221,387	-	4,333,037
Right-of-use equipment	60,203	52,458	-	112,661
Right-of-use IT software	804,354	769,944	(684,165)	890,133
	<u>3,976,207</u>	<u>2,043,789</u>	<u>(684,165)</u>	<u>5,335,831</u>
Right-of-use assets, net	<u>\$ 182,443,169</u>			<u>\$ 175,319,158</u>

The University leases various equipment and building space under financing leases expiring at various dates through November 2064.

During the year ended September 30, 2023, the University entered into an additional sublease and service agreement with its component unit, Jacksonville State University Foundation, whereas the University will sublease the Bond-Financed Facilities, which include dining facilities, athletic facilities and ancillary facilities for students of the University, and the University may operate, maintain and use the facilities. Simultaneously with the execution of this sublease agreement, the Foundation issued its Series 2023-A and Series 2023-B Bonds to provide funds, among other things, to finance the acquisition, construction, furnishing and equipping by the Foundation of the Bond-Financed Facilities. The University has committed to annual fees to be paid to the Foundation through August 2058. The total annual lease and service fee paid by the University in 2025 was \$1,807,909, as the University maintained a partial year lease incentive totaling \$6,060,521 (\$0 in 2024, as the University maintained a full year lease incentive totaling \$7,369,889).

During the year ended September 30, 2025, the University entered into an additional sublease and service agreement with its component unit, Jacksonville State University Foundation, whereas the University will sublease the Bond-Financed housing facility for students of the University, and the University may operate, maintain and use the facility. Simultaneously with the execution of this sublease agreement, the Foundation issued its Series 2024-A and Series 2024-B Bonds to provide funds, among other things, to finance the acquisition, construction, furnishing and equipping by the Foundation of the Bond-Financed Facility. The University has committed to annual fees to be paid to the Foundation through August 2056. The total annual lease and service fee paid by the University in 2025 was \$0 as no payments were yet due. As of September 30, 2025, the related facility was still under construction and was not available to be used by the University.

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The current value of the right-of-use asset has been included on the balance sheet as right-of-use construction in progress. The estimated cost to complete the facility at September 30, 2025, was approximately \$49,000,000. The University currently has approximately \$46,000,000 included in construction in progress.

Aggregate future lease payments under noncancelable finance and SBITA leases as of September 30, 2025, by year, are as follows:

	<b>Right-of-Use Leases</b>		<b>Right-of-Use IT Software</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 1,332,844	\$ 8,804,873	\$ 892,929	\$ 51,140
2027	1,779,043	10,323,629	690,854	37,920
2028	2,221,959	11,057,350	278,402	15,924
2029	2,305,023	10,927,429	212,089	6,939
2030	2,463,173	10,790,874	-	-
2031-2035	13,198,457	53,226,954	-	-
2036-2040	24,474,310	46,592,058	-	-
2041-2045	39,910,151	38,017,349	-	-
2046-2050	45,908,510	26,147,093	-	-
2051-2060	82,876,016	16,747,541	-	-
<b>Totals</b>	<b>\$ 216,469,486</b>	<b>\$ 232,635,150</b>	<b>\$ 2,074,274</b>	<b>\$ 111,923</b>

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Capital asset activity for the year ended September 30, 2025, was as follows:

	Balance at September 30, 2024	Additions	Disposals	Transfers	Balance at September 30, 2025
Non-depreciable assets					
Land	\$ 7,476,424	\$ 309,855	\$ -	\$ -	\$ 7,786,279
Construction in progress	23,451,813	66,302,928	(3,469,400)	(9,326,180)	76,959,161
Depreciable assets					
Buildings	392,649,972	15,553,095	-	9,326,180	417,529,247
Improvements other than buildings	19,319,525	1,110,996	-	-	20,430,521
Equipment	23,734,522	4,384,625	(950,639)	-	27,168,508
Library materials	16,998,143	225,658	(448,441)	-	16,775,360
Total capital assets	483,630,399	87,887,157	(4,868,480)	-	566,649,076
Accumulated depreciation					
Buildings	131,100,056	10,008,005	-	-	141,108,061
Improvements other than buildings	17,227,928	795,139	-	-	18,023,067
Equipment	21,029,515	2,278,851	(950,639)	-	22,357,727
Library materials	15,916,425	274,439	(448,441)	-	15,742,423
Total accumulated depreciation	185,273,924	13,356,434	(1,399,080)	-	197,231,278
Total capital assets, net	<u>\$ 298,356,475</u>	<u>\$ 74,530,723</u>	<u>\$ (3,469,400)</u>	<u>\$ -</u>	<u>\$ 369,417,798</u>

Capital asset activity for the year ended September 30, 2024, was as follows:

	Balance at September 30, 2023	Additions	Disposals	Transfers	Balance at September 30, 2024
Non-depreciable assets					
Land	\$ 7,457,806	\$ 18,618	\$ -	\$ -	\$ 7,476,424
Construction in progress	29,943,995	9,371,550	-	(15,863,732)	23,451,813
Depreciable assets					
Buildings	370,124,323	6,661,917	-	15,863,732	392,649,972
Improvements other than buildings	18,570,901	748,624	-	-	19,319,525
Equipment	22,906,413	1,438,164	(610,055)	-	23,734,522
Library materials	17,702,427	227,473	(931,757)	-	16,998,143
Total capital assets	466,705,865	18,466,346	(1,541,812)	-	483,630,399
Accumulated depreciation					
Buildings	123,214,185	7,885,871	-	-	131,100,056
Improvements other than buildings	16,654,989	572,939	-	-	17,227,928
Equipment	19,974,973	1,643,536	(588,994)	-	21,029,515
Library materials	16,553,797	294,385	(931,757)	-	15,916,425
Total accumulated depreciation	176,397,944	10,396,731	(1,520,751)	-	185,273,924
Total capital assets, net	<u>\$ 290,307,921</u>	<u>\$ 8,069,615</u>	<u>\$ (21,061)</u>	<u>\$ -</u>	<u>\$ 298,356,475</u>

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Depreciation and amortization expense for the University for the years ended September 30, 2025 and 2024, was \$15,901,429 and \$12,440,520, respectively.

The University is in the process of completing reconstruction and replacement of assets damaged during the March 19, 2018, tornado, which impacted the University. The cost to complete remaining projects is approximately \$14,417,000 at September 30, 2025, (approximately \$26,227,000 at September 30, 2024).

**Foundation**

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

	<u>2024</u>	<u>2023</u>
Land	\$ 132,043	\$ 132,043
Buildings and land improvements	164,835,248	43,079,418
Equipment	801,356	497,559
Construction in progress	<u>5,016,794</u>	<u>69,477,749</u>
	170,785,441	113,186,769
Less accumulated depreciation	<u>(10,023,999)</u>	<u>(7,471,069)</u>
Property and equipment, net	<u>\$ 160,761,442</u>	<u>\$ 105,715,700</u>

Depreciation expense for the Foundation for the years ended December 31, 2024 and 2023, totaled \$2,580,663 and \$1,586,966, respectively.

**6. ACCOUNTS PAYABLE, ACCRUED LIABILITIES, AND WAGES PAYABLE**

Accounts payable, accrued liabilities, and wages payable represent amounts due at September 30, 2025 and 2024, for goods and services received prior to year end of the fiscal year:

	<u>2025</u>	<u>2024</u>
Salaries and wages	\$ 5,087,029	\$ 4,593,335
Benefits	3,226,144	2,798,487
Payroll taxes	1,851,814	1,752,238
Interest payable	1,078,238	1,121,590
Other (see Note 15)	<u>19,799,201</u>	<u>6,917,524</u>
Total accounts payable, accrued liabilities and wages payable	<u>\$ 31,042,426</u>	<u>\$ 17,183,174</u>

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**7. FORGIVENESS OF STATE OF ALABAMA LOAN**

On February 2, 2024, the University reached a favorable settlement with the State of Alabama Department of Finance to settle all the University's remaining insurance claims arising out of the tornado incident in 2018 and received approximately \$7,500,000. The University had a receivable for this settlement at September 30, 2023 for \$1,920,854 and recognized the additional proceeds of \$5,579,146 as insurance recovery income in the accompanying 2024 statement of revenues, expenses and changes in net position.

**8. LONG-TERM LIABILITIES**

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

Long-term liabilities activity (excluding net pension and net OPEB liabilities) for the year ended September 30, 2025, was as follows:

	<b>Balance September 30, 2024</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2025</b>	<b>Current Portion</b>
Bonds:					
Series 2015 Revenue Bonds	\$ 8,465,000	\$ -	\$ (65,000)	\$ 8,400,000	\$ 70,000
Series 2016 Revenue Bonds	8,690,000	-	(65,000)	8,625,000	65,000
Series 2017 Revenue Bonds	23,520,000	-	(1,380,000)	22,140,000	1,490,000
Series 2020 Revenue Bonds	41,455,000	-	(1,450,000)	40,005,000	1,485,000
Bond premiums	8,102,174	-	(443,624)	7,658,550	443,624
Total bonds, net	90,232,174	-	(3,403,624)	86,828,550	3,553,624
Other long-term liabilities:					
Compensated absences	2,428,933	145,516	-	2,574,449	1,340,335
Capital lease obligations	4,808	-	(2,828)	1,980	1,980
Construction loan payable	9,226,454	-	(2,705,814)	6,520,640	6,520,640
Total other long-term liabilities	11,660,195	145,516	(2,708,642)	9,097,069	7,862,955
Lease and SBITA obligations	177,872,421	48,432,427	(7,761,088)	218,543,760	2,225,773
Total long-term liabilities	<u>\$ 279,764,790</u>	<u>\$ 48,577,943</u>	<u>\$(13,873,354)</u>	<u>\$ 314,469,379</u>	<u>\$ 13,642,352</u>

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Long-term liabilities activity (excluding net pension and net OPEB liabilities) for the year ended September 30, 2024, was as follows:

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Current Portion
Bonds:					
Series 2015 Revenue Bonds	\$ 8,530,000	\$ -	\$ (65,000)	\$ 8,465,000	\$ 65,000
Series 2016 Revenue Bonds	8,755,000	-	(65,000)	8,690,000	65,000
Series 2017 Revenue Bonds	24,800,000	-	(1,280,000)	23,520,000	1,380,000
Series 2020 Revenue Bonds	42,870,000	-	(1,415,000)	41,455,000	1,450,000
Bond premiums	8,545,798	-	(443,624)	8,102,174	443,624
Total bonds, net	93,500,798	-	(3,268,624)	90,232,174	3,403,624
Other long-term liabilities:					
Compensated absences	2,311,248	117,685	-	2,428,933	1,262,360
Capital lease obligations	91,882	-	(87,074)	4,808	2,828
Construction loan payable	9,226,454	-	-	9,226,454	9,226,454
Total other long-term liabilities	11,629,584	117,685	(87,074)	11,660,195	10,491,642
Lease and SBITA obligations	184,515,032	2,297,082	(8,939,693)	177,872,421	2,280,661
Total long-term liabilities	<u>\$ 289,645,414</u>	<u>\$ 2,414,767</u>	<u>\$(12,295,391)</u>	<u>\$ 279,764,790</u>	<u>\$ 16,175,927</u>

**Revenue Bonds – University**

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

The Jacksonville State University Board pledged student tuition and fees to repay \$8,950,000 Series 2015 Tuition and Fee Revenue Bonds issued on December 14, 2015, at interest rates ranging from 1.85% to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$8,000,000. Future revenues in the amount of \$10,157,770 at September 30, 2025 (\$10,558,225 at September 30, 2024), are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$56,865,428 and \$53,852,737 were received during the fiscal years ended September 30, 2025 and 2024, respectively, with \$400,455 and \$401,885, or 0.7% and 0.7% of pledged revenues, being used to pay principal and interest payments during 2025 and 2024, respectively. These bonds are scheduled to mature in fiscal year 2033.

The Jacksonville State University Board pledged student tuition and fees to repay \$9,160,000 in Series 2016 Tuition and Fee Revenue Bonds issued on March 17, 2016, at interest rates ranging from 1.3% to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$8,000,000. Future revenues in the amount of \$11,419,413 at September 30, 2025 (\$11,827,150 at September 30, 2024), are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$56,865,428 and \$53,852,737 were received during the fiscal years ended September 30, 2025 and 2024, respectively, with \$407,738 and \$409,200, or 0.7% and 0.8% of pledged revenues, being

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used to pay principal and interest payments during 2025 and 2024, respectively. These bonds are scheduled to mature in fiscal year 2035.

The Jacksonville State University Board pledged student tuition and fees to repay \$34,880,000 in Series 2017 Tuition and Fee Revenue Bonds issued on January 31, 2017, at interest rates ranging from 2.0% to 5.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$32,895,000, to finance capital improvements, and to pay the costs of issuance. Future revenues in the amount of \$31,235,528 at September 30, 2025 (\$33,623,697 at September 30, 2024), are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$56,865,428 and \$53,852,737 were received during the fiscal years ended September 30, 2025 and 2024, respectively, with \$2,388,169 and \$2,354,669, or 4.2% and 4.4% of pledged revenues, being used to pay principal and interest payments during 2025 and 2024, respectively. These bonds are scheduled to mature in fiscal year 2039.

The Jacksonville State University Board pledged student tuition and fees to repay \$45,670,000 in Series 2020 Tuition and Fee Revenue Bonds issued on August 14, 2020, at interest rates ranging from 3.0% to 5.0%. The funds were used to finance the acquisition, construction and installation of capital improvements and to pay the expenses of issuing the Series 2017-A Bond. Future revenues in the amount of \$63,809,984 at September 30, 2025 (\$66,873,366 at September 30, 2024), are pledged to repay principal and interest on the bonds. Pledged revenues in the amount of \$56,865,428 and \$53,852,737 were received during the fiscal years ended September 30, 2025 and 2024, respectively, with \$3,063,381 and \$3,078,606, or 5.4% and 5.7% of pledged revenues, being used to pay principal and interest payments during 2025 and 2024, respectively. These bonds are scheduled to mature in fiscal year 2051.

The University's Series 2015, 2016, 2017 and 2020 Revenue Bonds contain a provision that in an event of default, the trustee may take either or all of the following actions: (1) declare the loan due and payable, and/or (2) exercise any other remedies or rights which it has under any instrument executed in connection with the Revenue Bonds.

**Construction Loan Payable – University**

On July 11, 2019, the University executed a line of credit agreement with Regions Capital Advantage, Inc. for construction-related activities. The agreement is for a \$30,000,000 non-revolving line of credit. The line of credit matures on August 1, 2026, with monthly interest-only payments and the balance due at maturity. Interest is variable based on an applicable rate determined on each interest adjustment date. At September 30, 2025 and 2024, the interest rate on the loan was 4.48% and 5.21%, respectively. The balance due as of September 30, 2025 and 2024, was \$6,520,640 and \$9,226,454, respectively.

**Operating Line of Credit – University**

In August 2021, the University executed a \$5,000,000 revolving line of credit agreement with Regions Bank for operating activities. The line of credit matures on August 1, 2026, with monthly interest-only payments and the balance due at maturity. Interest is variable based on an applicable rate determined on each interest adjustment date. This line of credit was not utilized during the years ended September 30, 2025 and 2024, and no balance was due as of that date.

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

	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2026	\$ 3,110,000	\$ 3,166,183
2027	3,140,000	3,028,625
2028	3,300,000	2,886,775
2029	3,475,000	2,736,100
2030	3,520,000	2,579,919
2031-2035	19,820,000	10,620,541
2036-2040	18,025,000	6,568,953
2041-2045	9,875,000	4,007,300
2046-2050	12,165,000	1,803,500
2051	2,740,000	54,800
Totals	\$ 79,170,000	\$ 37,452,696

**Bonds Payable – Foundation**

On October 31, 2017, the Foundation, through the Public Education Building Authority of Jacksonville Foundation (The Authority) issued \$42,410,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2017-A, and \$400,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2017-B, to provide financing for the development, construction, equipping and furnishing of certain facilities and other improvements for the benefit of the University students. Simultaneously, the Foundation executed a lease agreement with the Authority, whereby the Foundation agreed to make payments to the bond trustee for the debt service. Therefore, the Foundation, which is considered the borrower of the funds, assumed all the obligations of the bonds. The bonds have varying fixed rates based on maturity dates which range from July 1, 2021, through July 1, 2057. The proceeds of the bonds were to be used for funding of the: (1) costs of issuing the bonds (net \$965,279 in 2024 and net \$994,903 in 2023), amortization expense for both years ended December 31, 2024 and 2023, of \$29,624; (2) development, construction, furnishing and start-up expenses of a fitness and wellness center; and (3) interest on the bonds from the issuance date through the date the bond obligations are paid.

Interest is payable semi-annually on January 1 and July 1, beginning January 1, 2018, with annual interest rates ranging from 3% to 5%. The bonds were issued at a total premium of \$2,162,453 (net at December 31, 2024, totaled \$1,756,993 and net at December 31, 2023, totaled \$1,811,054), which is being amortized over the term of the bonds. Amortization expense for both years ended December 31, 2024 and 2023, was \$54,061.

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

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through the date of termination. Bonds are collateralized by Foundation property. The Foundation is in compliance with debt covenants as of December 31, 2024 and 2023.

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

2025	\$ 450,000
2026	450,000
2027	570,000
2028	575,000
2029	575,000
Thereafter	<u>37,330,000</u>
Aggregate	<u>\$ 39,950,000</u>

For the years ended December 31, 2024 and 2023, the Foundation expended \$4,219,507 and \$1,749,961, respectively, in interest. The fair value of debt approximates the carrying value.

On March 1, 2023, the Foundation, through the Authority, issued \$77,085,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2023-A and \$47,280,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2023-B to provide (1) costs of issuing the bonds (net \$4,289,575), amortization expense for the years ended December 31, 2024 and 2023, of \$142,972 and \$71,486, respectively; (2) financing for the development, construction, equipping and furnishing of certain facilities and other improvements for the benefit of University students; and (3) interest on the bonds from the issuance date through the date the bond obligations are paid. Simultaneously, the Foundation executed a lease agreement with the Authority, whereby the Foundation agreed to make payments to the bond trustee for the debt service. Therefore, the Foundation is considered the borrower of the funds and has assumed all the obligations of the bonds.

Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2023, with annual interest rates ranging from 5% to 7% with varying maturity dates ranging from August 1, 2025, through August 1, 2058. The bonds were issued at a net premium of \$2,363,243, which is being amortized over the term of the bonds. Amortization expense for the years ended December 31, 2024 and 2023, was \$65,565 and \$32,783, respectively.

Redemptions of bond principal are due as follows:

	<u>2023 Series A</u>	<u>2023 Series B</u>
2025	\$ -	\$ 530,000
2026	-	565,000
2027	-	600,000
2028	-	640,000
2029	-	675,000
Thereafter	<u>77,085,000</u>	<u>44,270,000</u>
Aggregate	<u>\$ 77,085,000</u>	<u>\$ 47,280,000</u>

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On August 1, 2024, the Foundation, through the Authority, issued \$88,510,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2024-A and \$7,865,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2024-B to provide (1) costs of issuing the bonds (net \$2,031,896); (2) financing for the development, construction, equipping and furnishing of certain facilities and other improvements for the benefit of University students; and (3) interest on the bonds from the issuance date through the date the bond obligations are paid. Simultaneously, the Foundation executed a lease agreement with the Authority, whereby the Foundation agreed to make payments to the bond trustee for the debt service. Therefore, the Foundation is considered the borrower of the funds and has assumed all the obligations of the bonds.

Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2024, with annual interest rates ranging from 4.3% to 5.5% with varying maturity dates ranging from August 1, 2032, through August 1, 2056. The bonds were issued at a net premium of \$4,347,826 which is being amortized over the term of the bonds. Amortization expense for the years ended December 31, 2025 and 2024, was \$0.

Redemptions of bond principal are due as follows:

	<b>2024 Series A</b>	<b>2024 Series B</b>
2025	\$ -	\$ -
2026	-	-
2027	-	1,415,000
2028	-	1,490,000
2029	-	1,570,000
Thereafter	88,510,000	3,390,000
Aggregate	\$ 88,510,000	\$ 7,865,000

## 9. PENSION PLAN

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

### Plan Description

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established on September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control, which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). *The Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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**Benefits Provided**

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

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

Act 2022 of the Legislature of 2022 for TRSA provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

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**Contributions**

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6.0% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers and firefighters' contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021, which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2025, was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were approximately \$9,689,000 for the year ended September 30, 2025 (\$8,282,000 for 2024).

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

At September 30, 2025, the University reported a liability of \$101,920,000 (\$122,018,000 in 2024) for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023. 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, 2024, the University's proportion was 0.783513%, which was an increase of 0.018887% from its proportion measured as of September 30, 2023.

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For the year ended September 30, 2025, the University recognized pension expense of approximately \$12,836,000 (approximately \$18,501,000 in 2024). At September 30, 2025, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,135,000	\$ 735,000
Change of assumptions	1,563,000	-
Net difference between projected and actual earnings on pension plan investments	-	16,714,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,977,000	3,127,000
Employer contributions subsequent to measurement date	9,689,000	-
	<u>\$ 23,364,000</u>	<u>\$ 20,576,000</u>

At September 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,910,000	\$ 1,647,000
Change of assumptions	3,433,000	-
Net difference between projected and actual earnings on pension plan investments	8,368,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,132,000	4,519,000
Employer contributions subsequent to measurement date	8,282,000	-
	<u>\$ 32,125,000</u>	<u>\$ 6,166,000</u>

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A total of approximately \$9,689,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending September 30, 2026. 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,	
2026	\$ (996,000)
2027	4,170,000
2028	(5,287,000)
2029	(4,788,000)
	\$ (6,901,000)

**Actuarial Assumptions**

The total pension liability as of September 30, 2024, was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

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

\*Net of pension plan investment expense.

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021, which became effective as of the beginning of fiscal year 2021. Mortality rates for TRS were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

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

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
Total	<u>100.0%</u>	

\* Includes assumed rate of inflation of 2.00%.

**Discount Rate**

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

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
University's proportionate share of collective net pension liability	<u>\$ 141,712,000</u>	<u>\$ 101,920,000</u>	<u>\$ 68,427,000</u>

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**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, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes in the required supplementary section, detail by employer and in aggregate information needed to comply with GASB 68. Additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

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

**Plan Description**

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

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

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**Benefits Provided**

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

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

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

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

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

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**Contributions**

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage. Total employer contributions to the OPEB plan from the University were approximately \$2,867,000 for the year ended September 30, 2025 (\$1,135,020 in 2024).

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

At September 30, 2025, the University reported a liability of \$61,857,078 (\$13,272,866 at September 30, 2024) for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2024, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The University's proportion of the Net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the University's proportion was 0.672837%, which was a decrease of 0.017685% from its proportion measured as of September 30, 2023.

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For the year ended September 30, 2025, the University recognized OPEB expense of (\$1,378,599) ((\$5,546,026) in 2024), with no special funding situations. At September 30, 2025, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 28,847,612	\$ 13,350,457
Changes of assumptions	21,303,128	8,751,776
Net difference between projected and actual earnings on OPEB plan investments	-	1,526,117
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,971,974	5,613,068
Employer contributions subsequent to the measurement date	2,867,153	-
	<u>\$ 55,989,867</u>	<u>\$ 29,241,418</u>

At September 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 259,528	\$ 20,944,191
Changes of assumptions	11,181,932	13,130,451
Net difference between projected and actual earnings on OPEB plan investments	453,377	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,558,848	6,667,442
Employer contributions subsequent to the measurement date	1,135,020	-
	<u>\$ 17,588,705</u>	<u>\$ 40,742,084</u>

A total of \$2,867,153, reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2026.

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

Year ending September 30,	
2026	\$ 3,269,888
2027	3,590,304
2028	2,484,420
2029	4,309,360
2030	7,712,707
Thereafter	2,514,617
	\$ 23,881,296

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases <sup>1</sup>	3.25% - 5.00%
Long-term investment rate of return <sup>2</sup>	7.00%
Municipal bond index rate at the measurement date	3.89%
Municipal bond index rate at the prior measurement date	4.53%
Projected year for fiduciary net position (FNP) to be depleted	2040
Single equivalent interest rate at the measurement date	4.32%
Single equivalent interest rate at the prior measurement date	7.00%
Healthcare cost trend rate:	
Pre-Medicare eligible	6.75%
Medicare eligible	**
Ultimate trend rate:	
Pre-Medicare eligible	4.50% in 2033
Medicare eligible	4.50% in 2033

<sup>1</sup>Includes 2.75% wage inflation.

<sup>2</sup>Compounded annually, net of investment expense, and includes inflation.

\*\* Initial Medicare claims are set based on scheduled increases through plan year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiation period.

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

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

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

The remaining actuarial assumptions (i.e., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2023.

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

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

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

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

\* Geometric mean, includes 2.5% inflation.

**Discount Rate**

The discount rate (also known as the Single Equivalent Interest Rate [SEIR], as described by GASB 74) used to measure the total OPEB liability was 4.32%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$904 in fiscal year 2026, \$1,114 in fiscal year 2027, and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2122.

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

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

	<b>1% Decrease</b> <b>(5.75% decreasing to</b> <b>3.50% for pre-Medicare,</b> <b>known decreasing to</b> <b><u>3.50% for Medicare eligible)</u></b>	<b>Current Healthcare</b> <b>Trend Rate</b> <b>(6.75% decreasing to</b> <b>4.50% for pre-Medicare,</b> <b>known decreasing to</b> <b><u>4.50% for Medicare eligible)</u></b>	<b>1% Increase</b> <b>(7.75% decreasing to</b> <b>5.50% for pre-Medicare,</b> <b>known decreasing to</b> <b><u>5.50% for Medicare eligible)</u></b>
University's proportionate share of collective net OPEB liability	\$ 49,758,788	\$ 61,857,078	\$ 77,457,837

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 4.32%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease</b> <b>(3.32%)</b>	<b>Current Rate</b> <b>(4.32%)</b>	<b>1% Increase</b> <b>(5.32%)</b>
University's proportionate share of collective net OPEB liability	\$ 75,142,072	\$ 61,857,078	\$ 51,240,913

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is in the Trust's financial statements for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**11. SUPPLEMENTAL RETIREMENT PROGRAM**

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

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Participants become immediately vested and are eligible for distributions upon severance from employment, upon incurring a disability, upon hardship, or upon attainment of age 59½. Distributions may be in the form of lump-sum payments or through the purchase of an annuity contract. The University contributed \$1,720,006 and \$1,669,492 under this plan for the years ended September 30, 2025 and 2024, respectively. At September 30, 2025 and 2024, the University had payables of \$292,207 and \$297,741, respectively, due to TIAA-CREF, which were included in accounts payable and accrued liabilities on the statements of net position.

**12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The University's non-tornado related construction project commitments as of September 30, 2025, were estimated at approximately \$1,791,000 (approximately \$4,798,000 as of September 30, 2024), primarily related to the renovations to Dixon Hall, repairs to fire damage in the football stadium, and pedestrian safety improvements.

As of September 30, 2025, the University had been awarded approximately \$5,395,000 in contracts and grants (approximately \$4,812,000 as of September 30, 2024) on which performance had not been initiated, nor funds received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

On July 17, 2017, the University entered into a lease and services agreement with its component unit, Jacksonville State University Foundation, whereby the Foundation is to provide continuation and development of fitness and wellness programs, continuation and development of intramural sports programs, coordination of fitness and wellness programs, advertisement and promotion of the fitness and wellness center (the Center), including website development and maintenance and management and staffing of the Center. In exchange for these services, the University has committed to annual fees to be paid to the Foundation through May 2058 (see Note 5). The total annual lease and service fee paid in 2025 was \$4,370,000 (\$4,345,000 in 2024).

As of September 30, 2025, the University's future commitment for the non-lease component service fees to the Foundation is as follows:

2026		\$ 2,266,506
2027		2,324,506
2028		2,382,306
2029		2,445,306
2030		2,538,306
2031		2,589,456
2032		2,651,488
2033		2,709,400
2034		2,777,900
2035		2,867,150
		\$ 25,552,324

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Commitments beyond the ten-year period presented above are subject to change and therefore are not reflected in the table.

### **13. COMPONENT UNITS**

During the years ended September 30, 2025 and 2024, the Foundation, a discretely presented component unit of the University, distributed \$2,739,385 and \$2,111,331 to the University for both restricted and unrestricted purposes, respectively. At September 30, 2025 and 2024, the Foundation owed the University \$0 and \$856,181, respectively. At September 30, 2025 and 2024, the University has recorded payables of \$1,142,976 and \$1,163,288 respectively, due to the Foundation related to the service agreement more fully described in Note 12. Due to the difference in the fiscal year of the University and the Foundation, inconsistencies exist in the amounts reported as due to or due from, and distributed to or received from, the two organizations. The complete audited financial statements of the Foundation can be obtained upon written request to the Foundation.

### **14. ENDOWMENTS**

#### **University Endowments**

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

University endowment net position as of September 30, 2025 and 2024, consists of \$964,155 of restricted nonexpendable scholarship and fellowship funds and \$16,580,780 of restricted expendable scholarship funds (\$14,424,018 at September 30, 2024). The endowment net position also consists of \$10,072,205 included in net investments in capital assets (\$9,667,224 at September 30, 2024). During the year ended September 30, 2025, the endowment's restricted expendable funds increased by gains of \$2,249,845 (increased by gains of \$1,070,486 in 2024).

#### **Foundation Endowments**

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

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The Foundation's Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors may distribute the original principal of any trust or separate gift, devise, bequest or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as donor restricted are classified as net assets without donor restrictions for financial statement purposes.

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

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

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant making and administration. The current spending policy is to distribute an amount equal to 4% of the average quarterly total balance for the previous 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% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

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

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

	<u>2024</u>	<u>2023</u>
	<u>With Donor</u>	<u>With Donor</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Endowment net assets at beginning of year	\$ 38,077,521	\$ 33,581,648
Investment change	1,978,105	3,297,845
Investment income	2,741,064	2,373,382
Contributions	1,927,910	754,411
Expenditures	<u>(1,434,339)</u>	<u>(1,929,765)</u>
Endowment net assets at end of year	<u>\$ 43,290,261</u>	<u>\$ 38,077,521</u>

Endowment funds underwater at December 31, 2024 and 2023, were approximately \$4,700 and \$32,000, respectively.

## 15. RISK MANAGEMENT

### Risk Management – University

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), which is a part of the State of Alabama's Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state-owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$3,500,000 per occurrence. The SIF purchases commercial insurance for claims in excess of \$3,500,000. The University purchases commercial insurance for its automobile coverage, general liability and professional legal liability coverage. In addition, the University has a blanket fidelity bond that covers all employees.

On February 2, 2024, the University reached a favorable settlement with the State of Alabama Department of Finance to settle all the University's remaining insurance claims arising out of the tornado incident in 2018 and received approximately \$7,500,000.

On August 28, 2025, an arbitration award was issued in favor of BWW, Inc., d/b/a/ ServPro of Birmingham (ServPro) related to restoration and remediation services provided to the University after a tornado hit the campus on March 19, 2018. On September 22, 2025, the University and ServPro entered into a settlement agreement resolving all outstanding matters for a total amount of \$10,600,000. The amount is included in accounts payable and accrued liabilities in the accompanying statements of net position. The University remitted payment of the settlement amount on October 24, 2025. The arbitration award was subsequently vacated by the courts in which the disputes were pending.

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

The University contributes a specified amount monthly to the PEEHIF for each employee; this amount is applied against the employee's premiums for the coverage selected, and the employee pays any remaining premium.

Except the claim mentioned above, settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years. Claims that occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

**Risk Management – Foundation**

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

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

**16. RELATED PARTIES**

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

The Foundation operates as a separate entity supported by contributions from unrelated donors and income from pooled fund investments. Each pooled fund investment is charged a management fee by the Foundation totaling \$356,285 and \$326,793 for the years ended December 31, 2024 and 2023, respectively. The fees approximate the costs of the administrative services performed by the University on behalf of the Foundation. Additional management fees are charged to external entities for administrative services that are provided by the Foundation and are included in unrestricted revenue and support on the statements of activities.

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

**17. FOUNDATION LIQUIDITY AND AVAILABILITY**

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

Financial assets, at year end:	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$112,527,631	\$ 73,699,773
Promises to give, net	2,515,007	4,873,864
Related party receivable	100,000	-
Investments	<u>48,960,285</u>	<u>45,135,272</u>
Total financial assets at December 31	164,102,923	123,708,909
Less amounts not available to be used within one year due to:		
Net assets with donor restrictions	(50,517,905)	(50,783,845)
Cash restricted for bond service and capital projects	(109,260,736)	(67,908,991)
Refundable advances	<u>(2,614,029)</u>	<u>(2,403,977)</u>
Financial assets available for general expenses within one year	<u>\$ 1,710,253</u>	<u>\$ 2,612,096</u>

**18. FOUNDATION NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2024</u>	<u>2023</u>
Faculty awards and chairs	\$ 12,841,351	\$ 6,155,337
Scholarships and grants	21,219,800	40,141,708
Other purposes	<u>16,456,754</u>	<u>4,486,800</u>
Total net assets with donor restrictions	<u>\$ 50,517,905</u>	<u>\$ 50,783,845</u>



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**REQUIRED SUPPLEMENTARY INFORMATION**



**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SHARE OF THE NET PENSION LIABILITY (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Schedule of the University's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan of Alabama										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	0.783513%	0.764626%	0.789606%	0.822916%	0.824476%	0.770578%	0.780339%	0.744717%	0.748031%	0.736438%
Employer's proportionate share of the collective net pension liability	\$ 101,920,000	\$ 122,018,000	\$ 122,711,000	\$ 77,521,000	\$ 101,985,000	\$ 85,222,000	\$ 77,586,000	\$ 73,194,000	\$ 80,982,000	\$ 77,073,000
Employer's covered payroll during the measurement period	\$ 73,316,096	\$ 67,906,266	\$ 63,389,274	\$ 61,538,912	\$ 59,889,175	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000	\$ 49,516,590	\$ 47,766,000
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	139.01%	179.69%	193.58%	125.97%	170.29%	142.04%	143.63%	139.45%	163.55%	161.36%
Plan fiduciary net position as a percentage of the total collective pension liability	71.41%	63.57%	62.21%	67.72%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

**Notes to Schedule**

The Schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
Employer's covered payroll: the payroll on which contributions to a pension plan are based.

**Measurement Period:**

- For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024
- For fiscal year 2024, the measurement period is October 1, 2022 – September 30, 2023
- For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022
- For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021
- For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
- For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
- For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
- For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017
- For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016
- For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015

See independent auditors' report.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

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

	2025	2024	2023	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability	0.672837%	0.690522%	0.767421%	0.703364%	0.694043%	0.782694%	0.729542%	0.701339%
University's proportionate share of the net OPEB liability	\$ 61,857,078	\$ 13,272,866	\$ 13,371,923	\$ 36,341,505	\$ 45,042,424	\$ 29,529,228	\$ 59,959,061	\$ 52,091,455
University's covered-employee payroll	\$ 73,316,096	\$ 67,906,266	\$ 63,197,224	\$ 61,538,912	\$ 59,889,175	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	84.37%	19.55%	21.16%	59.05%	75.21%	49.22%	111.00%	99.25%
Plan fiduciary net position as a percentage of the total net OPEB liability	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	15.37%	14.81%

**Notes to Schedule**

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

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

**Measurement Period:**

- For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024.
- For fiscal year 2024, the measurement period is October 1, 2022 – September 30, 2023.
- For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022.
- For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021.
- For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020.
- For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019.
- For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018.
- For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017.

See independent auditors' report.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –**  
**TEACHERS' RETIREMENT PLAN OF ALABAMA (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 9,688,926	\$ 8,282,000	\$ 7,610,122	\$ 7,342,031	\$ 7,147,735	\$ 7,076,281	\$ 6,696,670	\$ 6,264,121	\$ 5,829,433	\$ 5,623,694
Contributions in relation to the contractually required contribution	(9,688,926)	(8,282,000)	(7,610,122)	(7,342,031)	(7,147,735)	(7,076,281)	(6,696,670)	(6,264,121)	(5,829,433)	(5,623,694)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 73,316,096	\$ 67,906,266	\$ 63,389,274	\$ 61,538,912	\$ 59,889,175	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000	\$ 49,516,590	\$ 47,766,000
Contributions as a percentage of covered payroll	13.22%	12.20%	12.01%	11.93%	11.93%	11.79%	12.40%	11.93%	11.77%	11.77%

**Notes to Schedule**

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

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

**Measurement Period:**

- For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024
- For fiscal year 2024, the measurement period is October 1, 2022 – September 30, 2023
- For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022
- For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021
- For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
- For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
- For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
- For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017
- For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016
- For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015

See independent auditors' report.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –**  
**ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 2,867,153	\$ 1,135,020	\$ 1,271,582	\$ 1,372,684	\$ 1,153,847	\$ 1,318,896	\$ 2,110,331	\$ 1,791,355
Contributions in relation to the contractually required contribution	(2,867,153)	(1,135,020)	(1,271,582)	(1,372,684)	(1,153,847)	(1,318,896)	(2,110,331)	(1,791,355)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 73,316,096	\$ 67,906,266	\$ 63,389,274	\$ 61,538,912	\$ 59,889,175	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000
Contributions as a percentage of covered-employee payroll	3.91%	1.67%	2.01%	2.23%	1.93%	2.20%	3.91%	3.41%

**Notes to Schedule**

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

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

**Measurement Period:**

- For fiscal year 2025, the measurement period is October 1, 2023 – September 30, 2024
- For fiscal year 2024, the measurement period is October 1, 2022 – September 30, 2023
- For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022
- For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021
- For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020
- For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
- For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
- For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

See independent auditors' report.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –**  
**ALABAMA RETIRED EDUCATION EMPLOYEES'**  
**HEALTH CARE TRUST (UNAUDITED)**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

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**Changes in Actuarial Assumptions**

In 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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

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

**Recent Plan Changes**

The September 30, 2022, valuation reflected the impact of Act 2022-222.

Beginning in plan year 2021, the MAPD plan premium rates excluded the ACA Health Insurer Fee, which was repealed on December 20, 2019.

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

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

**JACKSONVILLE STATE UNIVERSITY  
(A Component Unit of the State of Alabama)  
SCHEDULE OF THE UNIVERSITY'S CONTRIBUTIONS –  
ALABAMA RETIRED EDUCATION EMPLOYEES'  
HEALTH CARE TRUST (UNAUDITED)  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

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

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2021, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	20 years, closed
Asset valuation method	Market value of assets
Inflation	2.50%
Healthcare cost trend rate:	
Pre-Medicare eligible	6.50%
Medicare eligible	*
Ultimate trend rate:	
Pre-Medicare eligible	4.50%
Medicare eligible	4.50%
Year of ultimate trend rate	2031 for pre-Medicare eligible 2027 for Medicare eligible
Optional plans trend rate	2.00%
Investment rate of return	5.00%, including inflation

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



## **SUPPLEMENTARY INFORMATION**

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity	Pass-Through/ Contract Identifying Number	Total Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>Direct Program</b>					
Federal Supplemental Educational Opportunity Grants	84.007		P007A240038/ P007A250038	\$ 434,734	-
Federal Work-Study Program	84.033		P033A240038/ P033A250038	444,142	-
Federal Pell Grant Program	84.063		P063P240005/ P063P250005	26,180,753	-
Teacher Education Assistance for College and Higher Education Grants	84.379		P379T240005/ P379T250005	86,290	-
Federal Direct Student Loans	84.268		P268K240005/ P268K250005	43,378,860	-
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				<u>70,524,779</u>	<u>-</u>
<b>Direct Program</b>					
Childcare Access Means Parents in Schools	84.335A		P335A230036-25	564,031	-
Higher Education Institutional Aid	84.031A		P031A240181	281,941	253,356
Total Direct Programs				<u>845,972</u>	<u>253,356</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u>71,370,751</u>	<u>253,356</u>

See notes to the schedule of expenditures of federal awards.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity	Pass-Through/Contract Identifying Number	Total Expenditures	Passed Through to Subrecipients
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>National Science Foundation</b>					
<b>Direct Program</b>					
Engineering Grants	47.041		2303579	\$ 2,319	-
Polar Programs	47.078		2202172	51,942	-
Stem Education	47.046		2221136	385,540	-
Computer and Information Science and Engineering	47.070		2346630	41,025	-
<b>Pass Through</b>					
Integrative Activities	47.083	Ouachita Baptist University	2316122	22,395	-
<b>Total National Science Foundation</b>					
				<u>503,221</u>	<u>-</u>
<b>U.S. Department of Interior</b>					
<b>Direct Program</b>					
Endangered Species Conservation - Recovery Implementation Funds	15.657		F24AOP00320-00	18,400	-
<b>Total U.S. Department of Interior</b>					
				<u>18,400</u>	<u>-</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>OTHER FEDERAL AWARDS</b>					
<b>U.S. Department of Justice</b>					
<b>Direct Program</b>					
Congressionally Recommended Awards	16.753		15POVC-23-GG-00237-BRND	282,157	-
Public Safety Partnership and Community Policing Grants	16.710		15JCOPS-24-GG-2043-TECP	554,521	-
<b>Pass Through</b>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Alabama Department of Economic and Community Affairs	2020-MU-BX-0042	16,871	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Alabama Department of Economic and Community Affairs	2025-DJ-02-30	107,611	-
<b>Total U.S. Department of Justice</b>					
				<u>961,160</u>	<u>-</u>

See notes to the schedule of expenditures of federal awards.

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity	Pass-Through/ Contract Identifying Number	Total Expenditures	Passed Through to Subrecipients
<b>Department of Health and Human Services</b>					
Foster Care-Title IV-E	93.658	University of Alabama Jacksonville State University Foundation	A22-0027-S0004	\$ 62,265	\$ -
Congressional Directives Mental and Behavioral Health Education and Training Grants	93.493		JSUF-HRSA-01	640,124	-
	93.732	University of Alabama	1M01HP54865-01-00	24,140	-
				<u>726,529</u>	<u>-</u>
<b>Total Department of Health and Human Services</b>					
<b>U.S. Small Business Administration</b>					
Small Business Development Centers	59.037	University of Alabama	A20-0318-S002	17,592	-
				<u>17,592</u>	<u>-</u>
<b>Total U.S. Small Business Administration</b>					
<b>U.S. Department of Defense</b>					
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	A22-0407-S002	41,758	-
Procurement Technical Assistance for Business Firms	12.002	University of Alabama	DOD-2025-APEX- ACCELERATOR	43,796	-
				<u>85,554</u>	<u>-</u>
<b>Total U.S. Department of Defense</b>					
<b>U.S. Department of Commerce</b>					
<b>Direct Program</b>					
Congressionally-Identified Projects Weather and Air Quality Research	11.617 11.459		60NANB24D224	2,458,854 135,702	-
				<u>2,594,556</u>	<u>-</u>
<b>Total U.S. Department of Commerce</b>					
<b>U.S. Department of Veteran Affairs</b>					
Veteran And Spouse Transitional Assistance Grant Program	64.058		VSTAGP24AL0012	150,087	-
				<u>150,087</u>	<u>-</u>
<b>Total National Endowment for the Humanities</b>					
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$ 76,427,850</u>	<u>\$ 253,356</u>

See notes to the schedule of expenditures of federal awards.



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JACKSONVILLE STATE UNIVERSITY

**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the federal expenditures of Jacksonville State University (the University) under programs of the federal government for the year ended September 30, 2025. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

For the year ended September 30, 2025, the University did not elect to use the de minimis indirect cost rate permitted by Uniform Guidance.

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

**2. SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES**

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

**3. FEDERAL DIRECT STUDENT LOAN PROGRAM**

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Jacksonville State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Jacksonville State University (the University), a component unit of the State of Alabama, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements for the year then ended as listed in the table of contents, and have issued our report thereon dated April 6, 2026. The financial statements of Jacksonville State University Foundation (Foundation) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

Birmingham, Alabama  
April 6, 2026

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

To the Board of Trustees  
Jacksonville State University

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

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

We have audited Jacksonville State University's (the University), a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2025. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

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

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

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

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

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

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

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

Birmingham, Alabama  
April 6, 2026

**JACKSONVILLE STATE UNIVERSITY  
(A Component Unit of the State of Alabama)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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**SECTION I SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

Internal control over financial reporting:

Material weaknesses identified?	Yes _____	No <u>  x  </u>
Significant deficiencies identified?	Yes _____	None reported <u>  x  </u>
Noncompliance material to financial statements?	Yes _____	No <u>  x  </u>

***Federal Awards***

Internal control over major programs:

Material weaknesses identified?	Yes _____	No <u>  x  </u>
Significant deficiencies identified?	Yes _____	None reported <u>  x  </u>

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes \_\_\_\_\_ No   x  

***Identification of Major Programs***

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063; 84.007	Student Financial Assistance Cluster
84.033; 84.268	
84.379	
11.617	Congressionally Identified Projects

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

\$ 1,000,000

Auditee qualified as low-risk auditee?

Yes   x   No \_\_\_\_\_

**JACKSONVILLE STATE UNIVERSITY  
(A Component Unit of the State of Alabama)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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

There were no financial statement findings.

**SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

There were no federal awards findings and questioned costs.

## OTHER INFORMATION



**JACKSONVILLE STATE UNIVERSITY**  
**(A Component Unit of the State of Alabama)**  
**LISTING OF THE UNIVERSITY BOARD OF TRUSTEES AND OFFICIALS (UNAUDITED)**  
**SEPTEMBER 30, 2025**

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<b><u>Board Members</u></b>		<b><u>Term Expires</u></b>
The Honorable Kay Ivey	Governor of Alabama	Ex-Officio
Randall Jones	Chairman	2027
Senator Vivian Davis Figures	Vice Chair	2029
Mr. Loring White		2031
Ms. Gale Saxon Main		2029
Mr. Gregory Brown		2027
Mr. Anthony A. Smoke		2028
Mr. Clarence W. Daugette, III		2029
Mr. Randy Y. Owen		2030
Mr. Tony Ingram		2027
Ms. Cheryl Bevelle-Orange		2031
Mr. Drew Linn		2025*

**Officials**

Dr. Don C. Killingsworth, Jr.	President
Dr. Arlitha Williams-Harmon	Senior Vice President, Finance and Administration/CFO

\* Trustee Linn's seat is awaiting appointment from the Governor. Under Alabama Law, Trustee Linn shall remain in the seat until an appointment is made.



## **ACKNOWLEDGEMENTS**

### **PHOTOGRAPHY:**

Jacksonville State University  
Video & Photo Services Office

### **EDITING:**

Office of Institutional  
Research & Effectiveness



**ANNUAL FINANCIAL REPORT PREPARED BY:**

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