

University of NORTH ALABAMA

FINANCIAL REPORT 2015

UNIVERSITY OF NORTH ALABAMA

HARRISON ENTRANCE

University of North Alabama

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September 30, 2015

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PART I

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Board of Trustees
University of North Alabama

We have audited the accompanying financial statements of The University of North Alabama ("UNA"), a component unit of the State of Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise UNA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The University of North Alabama ("UNAF"), UNA's discretely presented component unit, as of September 30, 2015. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for UNAF, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of UNA and its discretely presented component unit as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 14 to the basic financial statements, in the year ended September 30, 2015, UNA adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, UNA adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective October 1, 2014. As also discussed in Note 14, the September 30, 2014 net position has been restated to correct misstatements. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of University of North Alabama's proportionate share of the net pension liability on page 53 and the schedule of University of North Alabama's contributions on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Listing of University Officials on page 55 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of University of North Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of North Alabama's internal control over financial reporting and compliance.

CDPA, P.C.

Florence, Alabama

March 24, 2016

University of North Alabama
Management's Discussion and Analysis
September 30, 2015

The purpose of this annual report is to provide readers with financial information about the activities and financial condition of the University of North Alabama (University) and its component unit the University of North Alabama Foundation (UNAF). The report consists of three basic financial statements that provide information on the University and two statements providing information on UNAF.

The University statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements begin on page 11, and should be read in conjunction with the Notes to the Financial Statements starting on page 19. UNAF's statements presented are the Statement of Financial Position and Statement of Activities, shown on pages 13 and 16, respectively. The following summary and management discussion of financial information is intended to provide the reader with an overview of the financial statements.

Statement of Net Position

ASSETS	2015	2014	2013
Current Assets			
Cash and Short-term Investments	\$ 35,652,442	\$ 50,913,187	\$ 54,401,602
Receivables	10,348,470	10,983,812	6,930,281
Inventory, Prepaid Expenses, and Other	8,646,672	7,724,830	7,214,535
Total Current Assets	54,647,584	69,621,829	68,546,418
Non-Current Assets			
Restricted Cash and Long-term Investments	19,485,593	37,359,592	24,970,181
Other Non-Current Assets	521,174	810,645	2,651,009
Capital Assets, Net of Depreciation	145,530,389	112,009,485	80,889,136
Total Non-Current Assets	165,537,156	150,179,722	108,510,326
Total Assets	220,184,740	219,801,551	177,056,744
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pensions	5,264,031	-	-
Loss on Refunding Bonds	399,809	437,419	-
Total Deferred Outflows of Resources	5,663,840	437,419	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 225,848,580	\$ 220,238,970	\$ 177,056,744
LIABILITIES			
Current Liabilities			
Accounts Payable and Current Liabilities	\$ 10,333,763	\$ 10,499,086	\$ 7,998,636
Unearned Revenue	23,251,864	20,717,282	21,138,716
Total Current Liabilities	33,585,627	31,216,368	29,137,352
Non-Current Liabilities			
Long-term Liabilities	133,629,897	78,405,355	45,900,513
Total Liabilities	167,215,524	109,621,723	75,037,865
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pensions	4,216,000	-	-
NET POSITION			
Invested in Capital Assets, Net of Related Debt	68,758,621	63,105,166	63,282,347
Restricted	16,522,071	12,109,308	10,928,650
Unrestricted (deficit)	(30,863,636)	35,402,773	27,807,882
Total Net Position	54,417,056	110,617,247	102,018,879
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 225,848,580	\$ 220,238,970	\$ 177,056,744

University of North Alabama
Management's Discussion and Analysis
September 30, 2015

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. Net position, the difference between position and liabilities, is one way to measure the financial health of the University. Net position decreased 50.8% in the current fiscal year to \$54.4 million, primarily due to the implementation of GASB 68 (See Note 14).

Cash and short-term investments decreased by \$15.3 million. This decrease reflects increased capital outlays for construction, early retirement, investment losses, and Perkins loans returns.

Receivables include grants, state appropriations, student accounts, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Current receivables decreased \$0.6 million in part due to a large receivable from the State in FY14 for a capital grant for the Science and Technology Building.

Restricted cash and long-term investments, includes unrestricted, endowment, and bond proceeds. Investments decreased by \$17.9 million. This decrease is due to draws from the Trustee Bank to cover construction costs for the new residence halls. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) increased 29.9% primarily due to costs capitalized for the Science and Technology Building and the new residence halls.

Accounts payable and current liabilities decreased 1.6% due to a decrease in outstanding payments for ongoing capital projects.

Net position decreased 50.8% overall. The University's capital assets net of related debt increased 9.0% due to the addition of the completed Science and Technology Building and construction in progress on the residence halls.



University of North Alabama
Management's Discussion and Analysis
September 30, 2015

Statement of Revenues, Expenses and Changes in Net Position

REVENUES	2015	2014	2013
Operating Revenues			
Student Tuition and Fees (net of scholarship allowances)	\$ 39,242,816	\$ 37,777,426	\$ 38,437,587
Auxiliary Enterprises Revenue (net of scholarship allowances)	12,181,598	10,665,030	9,979,142
Grants and Contracts	4,009,849	4,670,966	4,429,825
Athletic Revenue	755,155	1,030,622	740,442
Other Operating Revenue	1,618,064	958,832	1,101,818
Total Operating Revenues	<u>57,807,482</u>	<u>55,102,876</u>	<u>54,688,814</u>
EXPENSES			
Operating Expenses	<u>97,212,348</u>	<u>90,551,747</u>	<u>87,707,144</u>
Net Operating Income (Loss)	<u>(39,404,866)</u>	<u>(35,448,871)</u>	<u>(33,018,330)</u>
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	27,525,782	27,191,721	25,934,629
Federal Grants and Contracts	10,055,744	9,587,620	9,812,940
Gifts (including Endowment)	282,394	328,637	400,077
Capital Grants, Contracts, and Gifts	1,733,850	8,754,042	649,601
Investment Income	(7,090)	782,493	607,392
Other Non-Operating Expense	(1,053,005)	(2,597,274)	(1,879,130)
Total Non-Operating Revenues-Net	<u>38,537,675</u>	<u>44,047,239</u>	<u>35,525,509</u>
Increase (Decrease) in Net Position	<u>(867,191)</u>	<u>8,598,368</u>	<u>2,507,179</u>
Net Position-Beginning of Year	110,617,247	102,018,879	99,511,700
Adjustment for Change in Accounting Principal (See Note 1)	<u>(55,333,000)</u>	<u>-</u>	<u>-</u>
Net Position-Beginning of Year, as Restated	<u>55,284,247</u>	<u>102,018,879</u>	<u>99,511,700</u>
Net Position-End of Year	<u>\$ 54,417,056</u>	<u>\$ 110,617,247</u>	<u>\$ 102,018,879</u>

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the University, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

The main categories of revenue for the University are: tuition and fees, state appropriations, auxiliary activities and grants and contracts.

Tuition and fees (net) increased by 3.9% due to an increase in enrollment. Gross tuition revenue was up slightly while scholarship allowances increased about the same level.

Auxiliary revenue (net) consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. Auxiliary revenue increased 14.2%.

Grants and contracts revenue decreased 14.2%.

Athletic revenue decreased by 26.7%.

Operating expenses increased by \$6.7 million. Each category is discussed in detail on page eight.

State appropriations increased 1.2%.

Capital grants and contracts decreased \$7.0 million primarily due to a \$3.0 million contribution from the City of Florence and the receipt of approximately \$5.0 million of a total \$6 million capital grant from the State of Alabama for the Science and Technology Building construction in FY14.

Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past two decades are held in the UNA Foundation, but small gifts are received in the University from year to year, and remained level from FY 2014 to FY 2015.

Investment income decreased 100.9% during the fiscal year primarily due to unrealized losses.

Other non-operating expense decreased primarily due to the capitalization of interest.



Operating Expenses by Functional Classification

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 34,240,527	\$ 34,298,034	\$ 33,152,031
Research & Public Service	4,829,964	5,254,123	4,919,415
Academic Support	4,158,122	3,659,565	3,266,458
Student Services	6,952,185	6,927,623	4,417,820
Institutional Support	12,266,178	10,933,678	10,246,807
Operation & Maintenance of Plant	9,703,952	7,746,257	7,179,107
Depreciation	4,162,437	3,093,630	4,417,456
Scholarships & Related Expenses	8,505,360	6,679,765	8,739,280
Auxiliary Activities	12,393,623	11,959,072	11,368,770
	<u>\$ 97,212,348</u>	<u>\$ 90,551,747</u>	<u>\$ 87,707,144</u>

Functional classifications are the traditional categories that universities have used to report annual expenditures. They represent the type of programs and services that the University provides.

Instructional expenditures remained level from FY14 to FY15.

Academic support expenditures increased 13.6% due to budget increases in certain areas.

Student services remained level from FY14 to FY15.

Institutional support increased 12.2% due to the one time early retirement payout of \$1.3 million.

Operation and maintenance of plant increased 25.3% primarily due to an increase in non-capital investment in plant of \$1.4 million.

Auxiliary expenditures increased 3.6% due to increased revenues available, increased travel, and rent expense.

Operating Expenses by Natural Classification

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries	\$ 46,182,467	\$ 44,317,630	\$ 42,596,540
Benefits	14,754,746	13,906,828	12,581,482
Supplies & Other	16,856,220	15,985,279	14,940,845
Utilities	3,655,206	3,296,111	3,130,576
Plant & Equipment	3,483,067	3,092,293	3,095,120
Financial Aid	8,118,205	6,859,976	6,945,125
Depreciation	4,162,437	3,093,630	4,417,456
Total	<u>\$ 97,212,348</u>	<u>\$ 90,551,747</u>	<u>\$ 87,707,144</u>

Operating expenses when summarized by natural classification categorizes expenditures across functional programs.

Salary expenses increased 4.2% as a result of a one-time salary supplement awarded to employees.

Benefits expense increased 6.1% due to increased health insurance costs and an increase in the match for pension expense.

Supplies and other expenses increased 5.4% due to funds made available from previous years.

Plant and equipment and depreciation expenses increased due to new construction.

Financial aid increased due to an increase in scholarships.

Statement of Cash flows

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash Provided (Used) By:			
Operating Activities	\$ (33,041,581)	\$ (35,952,737)	\$ (27,529,468)
Non-capital Financing Activities	37,281,634	37,356,040	35,438,772
Capital and Related Financing Activities	(12,119,195)	(5,242,965)	(9,652,787)
Investing Activities	<u>(4,789,134)</u>	<u>336,866</u>	<u>250,135</u>
Net Increase (Decrease) in Cash	(12,668,276)	(3,502,796)	(1,493,348)
Cash, Beginning of Year	<u>48,320,718</u>	<u>51,823,514</u>	<u>53,316,862</u>
Cash, End of Year	<u><u>\$ 35,652,442</u></u>	<u><u>\$ 48,320,718</u></u>	<u><u>\$ 51,823,514</u></u>

The Statement of Cash Flows provides information about cash inflows and outflows during the period. It classifies cash flows as those related to operating, non-capital financing, capital financing, and investing activities. This statement assists users in assessing the University's ability to generate future net cash flows, to meet obligations as they come due, and to assess its need for external financing.

Cash receipts from operating activities consist primarily of tuition, grants, contracts, food service, and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships.

State appropriation is the primary source of non-capital financing. Accounting standards require this source of revenue to be reported as non-operating although the University's budget depends on this funding to continue the current level of operations.

Cash flows from capital and related financing activities consist of capital grants and gifts less expenditures for capital asset construction and purchases.

Net cash inflow for investing activities reflects increased investment income and proceeds from sales of investments.

Significant Capital Asset and Debt Activity

Capital projects during the year included the Science and Technology Building and the Student Residence Halls. The project budget was \$40.9 million. In August 2014 the University issued 2014A General Fee Revenue Bonds in the amount of \$32,680,000 for the construction of the Student Residence Halls.

Economic and Enrollment Factors That Will Affect the Future

The level of State support, compensation increases, student tuition and fee increases, and energy costs continue to affect the University's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The University continues to monitor the economic climate of the State as budgeting plans are considered.

The University experienced an increase in enrollment for Fall 2015. The University continues to explore solutions for increasing enrollment, particularly in the area of retention. A long-term strategy for enrollment management is currently in development.

STUDENT FALL ENROLLMENT DATA (head count)

	2015	%	2014	%	2013	%	2012	%	2011	%
<i>Undergraduate</i>	6,092	86%	5,886	86%	5,993	86%	6,119	87%	6,185	86%
<i>Graduate</i>	986	14%	956	14%	938	14%	934	13%	997	14%
Total	7,078		6,842		6,931		7,053		7,182	
FALL ENROLLMENT BREAKDOWN										
<i>Graduate</i>	986	14%	956	14%	938	14%	934	13%	997	14%
<i>Seniors</i>	1,571	22%	1,387	20%	1,495	22%	1,423	20%	1,394	19%
<i>Juniors</i>	1,206	17%	1,129	17%	1,179	17%	1,278	18%	1,248	17%
<i>Sophomores</i>	1,097	15%	1,209	18%	1,126	16%	1,161	17%	1,262	18%
<i>Freshmen</i>	1,673	24%	1,591	23%	1,620	23%	1,695	24%	1,718	24%
<i>Special *</i>	545	8%	570	8%	573	8%	562	8%	563	8%
<i>In-State</i>	5,537	78%	5,352	78%	5,493	79%	5,604	79%	5,508	77%
<i>International</i>	308	4%	413	6%	408	6%	476	7%	362	5%
<i>Out-of-State</i>	1,233	18%	1,077	16%	1,030	15%	973	14%	1,312	18%
<i>Full-Time</i>	5,304	75%	4,924	72%	5,122	74%	5,233	74%	5,214	73%
<i>Part-Time</i>	1,774	25%	1,918	28%	1,809	26%	1,820	26%	1,968	27%
<i>Female</i>	4,165	59%	3,969	58%	4,016	58%	4,096	58%	4,098	57%
<i>Male</i>	2,913	41%	2,873	42%	2,915	42%	2,957	42%	3,083	43%
<i>Not-Reported</i>									1	—
<i>White</i>	4,985	71%	4,867	71%	4,993	72%	5,164	73%	5,188	72%
<i>Black</i>	945	13%	869	13%	888	13%	896	13%	848	12%
<i>Other</i>	1,148	16%	1,106	16%	1,050	15%	993	14%	1,146	16%

** Special includes all Non-classified, ESL and Postbaccalaureate*

University of North Alabama
Statement of Net Position
September 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and Cash Equivalents	\$ 35,652,442
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$713,869	10,348,470
Inventories	27,268
Perkins Loan Receivable-Current Portion	103,751
Stadium Use Agreement-Current Portion	40,804
Prepaid Expenses	<u>8,474,849</u>
Total Current Assets	<u>54,647,584</u>

Non-Current Assets

Deposit with Trustee	5,389,570
Long-Term Investments	14,096,023
Perkins Loan Receivable	386,760
Stadium Use Agreement	134,414
Capital Assets:	
Land	3,771,229
Improvements Other Than Buildings	12,804,758
Buildings	149,132,936
Software	7,615,055
Equipment and Furniture	7,505,227
Library Holdings	16,121,222
Construction in Progress	29,496,365
Less: Accumulated Depreciation	<u>(80,916,403)</u>
Total Capital Assets, Net of Deprecation	<u>145,530,389</u>
Total Non-Current Assets	<u>165,537,156</u>
Total Assets	<u>220,184,740</u>

Deferred Outflows of Resources

Deferred Outflows of Resources Related to Pensions	5,264,031
Loss on Bond Defeasance	<u>399,809</u>
Total Deferred Outflows of Resources	<u>5,663,840</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 225,848,580</u>

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

University of North Alabama
Statement of Net Position
September 30, 2015

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

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 8,381,756
Unearned Revenue	23,251,864
Deposit Liabilities	789,358
Bonds Payable-Current Portion	1,020,382
Compensated Absences-Current Portion	<u>142,267</u>

Total Current Liabilities 33,585,627

Non-Current Liabilities

Bonds Payable	76,151,195
Net Pension Liability	56,228,000
Compensated Absences	<u>1,250,702</u>

Total Non-Current Liabilities 133,629,897

Total Liabilities 167,215,524

Deferred Inflows of Resources

Deferred Inflows of Resources Related to Pensions	<u>4,216,000</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	68,758,621
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Restricted:

Nonexpendable	5,808,641
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Expendable:

Instruction	4,839,254
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Loans	484,607
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Capital Projects	5,389,569
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Unrestricted deficit	<u>(30,863,636)</u>
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Total Net Position 54,417,056

Total Liabilities, Deferred Inflows of Resources and
Net Position \$ 225,848,580

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

University of North Alabama Foundation
Discretely Presented Component Unit
Statement of Financial Position
September 30, 2015

ASSETS	
Cash and Cash Equivalents	\$ 4,725,135
Accounts Receivable	1,900
Pledges Receivable	3,527,486
Inventories	12,249
Interest Receivable	8,354
Investments	24,269,212
Capital Assets, Net of Depreciation	<u>243,950</u>
 Total Assets	 <u><u>\$ 32,788,286</u></u>
 LIABILITIES	
Accounts Payable	\$ 649,873
Obligations under Annuity Contracts	<u>364,427</u>
 Total Liabilities	 <u>1,014,300</u>
 NET ASSETS	
Unrestricted	591,127
Temporarily Restricted	9,171,830
Permanently Restricted	<u>22,011,029</u>
 Total Net Assets	 <u>31,773,986</u>
 Total Liabilities and Net Assets	 <u><u>\$ 32,788,286</u></u>

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

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

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$12,210,181)	\$ 39,242,816
Federal Grants and Contracts	1,479,724
State and Local Grants and Contracts	2,440,353
Nongovernmental Grants and Contracts	89,772
Auxiliary Enterprises (Net of Scholarship Allowances of \$83,157)	12,181,598
Athletic Revenue	755,155
Other Operating Revenue	<u>1,618,064</u>
Total Operating Revenues	<u>57,807,482</u>

OPERATING EXPENSES

Instruction	34,240,527
Research	68,831
Public Service	4,761,133
Academic Support	4,158,122
Student Services	6,952,185
Institutional Support	12,266,178
Operation and Maintenance	9,703,952
Scholarships and Financial Aid	8,505,360
Depreciation	4,162,437
Auxiliary Enterprises	<u>12,393,623</u>
Total Operating Expenses	<u>97,212,348</u>

Operating Loss	<u>(39,404,866)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	27,525,782
Federal Grants	10,055,744
Investment Revenue - Net	(7,090)
Interest on Debt	(829,430)
Other Nonoperating Revenue (Expenses)	<u>(223,575)</u>
Net Nonoperating Revenues (Expenses)	<u>36,521,431</u>

Loss before Other Changes in Net Position	(2,883,435)
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The accompanying notes are an integral part of these financial statements.

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

OTHER CHANGES IN NET POSITION	
Capital Gifts and Grants	1,733,850
Additions to Permanent Endowments	<u>282,394</u>
Change In Net Position	<u>(867,191)</u>
Total Net Position - Beginning of Year	110,835,392
Prior Period Adjustments (Note 14)	(218,145)
Adjustment for Change in Accounting Principle (Notes 1 and 14)	<u>(55,333,000)</u>
Total Net Position - Beginning of Year (Restated)	<u>55,284,247</u>
Total Net Position - End of Year	<u>\$ 54,417,056</u>

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

University of North Alabama Foundation
Discretely Presented Component Unit
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT				
Contributions	\$ 354,294	\$ 3,991,055	\$ 3,758,486	\$ 8,103,835
In-Kind Donations	803,578	39,789	-	843,367
Other Income	149,135	525,050	-	674,185
Change in Value of Unconditional Promises to Give	-	-	(108,497)	(108,497)
Transfers	(96,786)	92,825	3,961	-
Net Assets Released from Restriction	<u>3,376,545</u>	<u>(3,376,545)</u>	<u>-</u>	<u>-</u>
Total Support	<u>4,586,766</u>	<u>1,272,174</u>	<u>3,653,950</u>	<u>9,512,890</u>
REVENUE				
Interest and Dividend Income	3,767	241,435	-	245,202
Net Realized Gain (Loss) on Investments	-	281,528	-	281,528
Net Unrealized Gain (Loss) on Investments	<u>-</u>	<u>(1,229,261)</u>	<u>-</u>	<u>(1,229,261)</u>
Total Revenue	<u>3,767</u>	<u>(706,298)</u>	<u>-</u>	<u>(702,531)</u>
TOTAL SUPPORT AND REVENUE	<u>4,590,533</u>	<u>565,876</u>	<u>3,653,950</u>	<u>8,810,359</u>
EXPENSES				
Program Services	3,294,656	-	-	3,294,656
Support Services	<u>1,437,866</u>	<u>-</u>	<u>-</u>	<u>1,437,866</u>
TOTAL EXPENSES	<u>4,732,522</u>	<u>-</u>	<u>-</u>	<u>4,732,522</u>
Net Change in Net Assets	(141,989)	565,876	3,653,950	4,077,837
Net Assets - Beginning of Year	<u>733,116</u>	<u>8,605,954</u>	<u>18,357,079</u>	<u>27,696,149</u>
Net Assets - End of Year	<u>\$ 591,127</u>	<u>\$ 9,171,830</u>	<u>\$ 22,011,029</u>	<u>\$ 31,773,986</u>

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

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

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 41,228,175
Federal Grants and Contracts	2,824,043
State and Local Grants and Contracts	2,440,353
Nongovernmental Grants and Contracts	51,718
Sales and Services of Educational Departments	12,181,598
Athletic Income	755,155
Other Operating Revenues	1,496,364
Payments to Employees	(46,013,386)
Payments for Benefits	(14,819,111)
Payments to Suppliers	(20,735,334)
Payments to Utilities	(3,655,206)
Payments for Scholarships	<u>(8,795,950)</u>
Net Cash Used in Operating Activities	<u>(33,041,581)</u>

CASH FLOWS FROM NONCAPITAL

FINANCING ACTIVITIES

State Appropriations	27,525,782
Federal Grants and Contracts	9,897,970
Gifts and Grants Received for Other Than Capital Purposes	282,394
Direct and Other Loan Receipts	28,773,134
Direct and Other Loan Disbursements	(28,471,470)
Deposit Liabilities	(641,304)
Other Nonoperating Revenues/Expenditures	<u>(84,872)</u>
Net Cash Provided by Noncapital Financing Activities	<u>37,281,634</u>

CASH FLOWS FROM CAPITAL AND

RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	1,733,850
Stadium Use Agreement Principal	40,640
Purchases of Capital Assets	(37,547,306)
Deposits with Trustees	25,248,512
Principal Paid on Capital Debt	(980,000)
Interest Paid on Capital Debt	<u>(614,891)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(12,119,195)</u>

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

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

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	9,313,979
Purchase of Investments	(14,096,023)
Interest on Investments	<u>(7,090)</u>
Net Cash Used in Investing Activities	<u>(4,789,134)</u>

Net Decrease in Cash and Cash Equivalents	(12,668,276)
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Cash and Cash Equivalents - Beginning of Year	<u>48,320,718</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 35,652,442</u></u>
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Reconciliation of Net Operating Revenues (Expenses) to Net

Cash Used by Operating Activities:

Operating Loss	\$ (39,404,866)
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Adjustments to Reconcile Net Operating Loss
to Net Cash Used in Operating Activities:

Depreciation Expense	4,162,437
Pension Expense Adjustment	(153,031)

Changes in Assets and Liabilities:

Decrease in Receivables	635,342
Increase in Prepaid Expenses	(993,239)
Decrease in Inventory	635
Increase in Accounts Payable	120,490
Increase in Deferred Revenue	2,534,582
Increase in Compensated Absences	<u>56,069</u>

Net Cash Used by Operating Activities	<u><u>\$ (33,041,581)</u></u>
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Supplemental Cash Flow Information:

Interest Cost Capitalized on Construction-In-Progress	<u><u>\$ 2,177,392</u></u>
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The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of University of North Alabama (the “University” or “UNA”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of University of North Alabama are described below.

Reporting Entity

The University of North Alabama, a publicly supported, state funded institution, is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama’s Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

During the fiscal year ended 2005, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement provides criteria for determining whether organizations for which a government is not financially accountable, should be reported as component units. Because of the significance of the relationship between the University and the University of North Alabama Foundation, the University has determined UNAF to be a component unit under GASB 39 and, therefore, has included the UNA Foundation statements in this report. Since the UNA Foundation reporting format is governed by the Financial Accounting Standards Board (FASB), rather than GASB as required for the University, the statements are presented separately to allow for formatting differences.

University of North Alabama Foundation, Inc. (the “Foundation” or “UNAF”) is a legally separate, tax-exempt organization that is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and UNAF, UNAF is considered a component unit of the University. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Although the University does not control the timing or amount of receipts from UNAF, the majority of resources, or income thereon that UNAF holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by UNAF can only be used by, or for the benefit of, the University, UNAF is discretely presented as a component unit of the University. UNAF is reported in its original format on separate financial statements because of the difference in its reporting model as further described below.

UNAF is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board (FASB) Statements. Most significant to UNAF's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to UNAF's financial information in the University's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

Financial Statement Presentation, Measurement Focus, and Basis of Accounting

For financial reporting purposes, the University adheres to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No. 34*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported and Assets and Liabilities*. These statements establish standards for external financial reporting for public colleges and universities on an entity-wide perspective and require that resources be classified in three net position categories.

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

Restricted:

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

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

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. These include funds held in federal loan programs.

Unrestricted - Net positions that are not subject to externally imposed stipulations. These may be designated for specific purposes by action of management or the Board of Trustees.

GASB Statements No. 35 and No. 63 also require three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

During the fiscal year ended September 30, 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 revises existing standards for employer financial statements and requires the recognition of a liability equal to the net pension obligation for pension plans provided by the University to its employees. The net pension obligation is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change.

GASB Statement No. 71 is a clarification to GASB Statement No. 68 requiring recognition of a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. These statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). September 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending September 30, 2014. In accordance with the Statement, the University has reported a net pension liability (net of deferred outflows of resources) in the amount of \$55,333,000 as a change in accounting principle adjustment to unrestricted net position as of October 1, 2014 (See Note 14).

The financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards of the United States of America. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those institutions that are financed in whole or in part by fees charged to external parties for goods or services. Under BTA reporting, it is required that statements be prepared using the economic resources measurement focus.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

GASB Statement No. 35 requires the recording of depreciation on capital assets, accrual or deferral of revenue associated with certain grants and contracts, accrual of interest expense, accounting for certain scholarship allowances as a reduction of revenue, classification of federal refundable loans as a liability, and capitalization and depreciation of equipment.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Position

Deposits and Investments - The University has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the University may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Restricted cash and cash equivalents consist of funds in University bank accounts restricted for endowment purposes.

Investments are reported at fair value 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. Fair value of these investments is based on quoted market prices or dealer quotes where available.

Receivables - Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. An allowance for doubtful accounts has been established.

Inventories - The inventories are comprised of consumable supplies and are valued at cost. Inventories are valued using the first in/first out (FIFO) method.

Capital Assets - Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Depreciation is not allocated to functional expense categories. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest cost capitalized on construction work-in-progress was \$2,177,392 for the fiscal year ended September 30, 2015. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. The method of depreciation and useful lives of the capital assets are as follows:

<u>Assets</u>	<u>Depreciation Method</u>	<u>Useful Lives</u>
Buildings and Improvements	Straight-Line	50 years
Improvements other than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 years
Library Materials	Composite	10 years
Capitalized Software	Straight-Line	10 years

Depreciation expense for the fiscal year ended September 30, 2015 was \$4,162,437.

Long-Term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds.

Compensated Absences - The Board of Trustees determines annual and sick leave policies for the University's employees. No liability is recorded for sick leave. Staff and department-head employees earn and accumulate annual leave at the following rates:

<u>Years of Employment</u>	<u>Number of Days Each Year</u>	<u>Maximum Days Accumulation</u>
Up to 2 Years	10 Days	25 Days
After 2 Years	12 Days	25 Days
After 3 Years	13 Days	25 Days
After 4 Years	14 Days	25 Days
After 5 Years	15 Days	25 Days
After 6 Years	16 Days	25 Days
After 7 Years	17 Days	25 Days
After 8 Years	18 Days	25 Days
After 9 Years	19 Days	25 Days
After 10 Years	20 Days	25 Days

Faculty of the University do not earn annual leave. Payment is not made to employees for unused sick leave at termination or retirement.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Unearned Revenue - Unearned revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Fall term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as unearned revenue and prepaid expense in the statement of net position and will be recognized in the following fiscal year.

Pensions - The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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

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

Classification of Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, most federal, state, local, private grants and contracts and federal appropriations, and interest on institutional student loans.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues. In accordance with GASB Statement No. 35, certain significant revenues on which the University relies to support its operational mission are required to be recorded as nonoperating revenues.

These revenues include state appropriations, private gifts, federal Pell grants and investment income, including realized and unrealized gains and losses on investments.

Grants and Contracts Revenue

The University receives sponsored funding from governmental and private sources. Revenues from these projects are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract. Pell grants are recorded as nonoperating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Donor Pledges

The University normally does not receive gift pledges. Pledged revenue representing unconditional promises to give is normally received by The University of North Alabama Alumni Association or UNAF and later disbursed in accordance with the donors' wishes for the benefit of the University. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Deposits

The University's non-operating deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The statement of net position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Investments

The University's investment policies and procedures separate investments into two categories: Operational Fund Investments consisting of relatively short-term investments; and Permanent Fund Investments consisting of longer term investments. The methods and significant assumptions used to estimate the fair value of investments mirrors that of the UNAF (See Note 12).

A. Operational Fund Investments

1. *General Policy:* Operational Fund Investments (which may be pooled) are applicable to the following fund groups – Current Funds, Loan Funds, and Agency Funds.
2. *Investment Objectives:* The Board's investment objective for Operational Fund Investments is to maximize current investment returns consistent with the liquidity needs of the University and to protect principal from value decline due to investment losses or inflation. It is expected that the maturities of the investments in the Operational Fund will be matched against the cash flow needs of the University to maximize yields consistent with the liquidity needs of the University and consistent with economic projections.
3. *Responsibility:* The Board assigns to the University President the responsibility for direct investment and administration of Operational Fund Investments. The President may choose to delegate investment responsibilities to University employee(s), a committee of University employees, or to arrange for outside investment management. The responsible investment authority shall monitor the Operational Funds to ensure that these investment objectives are met.
4. *Investment Criteria:* Investments of Operational Funds shall be limited to the following marketable securities:
 - a. Direct obligations of the United States of America or obligations unconditionally guaranteed as to principal and interest by the United States of America.
 - b. Obligations of an agency or instrumentality of the United States of America.
 - c. Commercial paper of corporate issues with a minimum quality rating of P-1 by Moody's or A-1 by Standard & Poor's. No more than 5% of the Operational Fund Investments of the University shall be invested in a single corporation.
 - d. Repurchase agreements secured by the United States of America or its agencies or "AAA" rated corporate obligations.
 - e. Shared in externally managed money-market funds specifically approved by the President or the Board.
 - f. Negotiable fixed rate or variable rate certificates of deposit with commercial banks or savings and loan associations chartered by the U.S. government or the State of Alabama, and secured as set out below.
 - g. Bankers acceptances of U.S. banks or savings and loan associations, and secured as set out below.

The majority of Operational Fund Investments shall be consistent with liquidity requirements of the funds in this category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Investments in commercial bank or savings and loan association certificates of deposit or bankers' acceptances must always be secured by a pledge of bonds or the obligation of either the United States, or the State of Alabama, or a public agency or public institution of higher learning in Alabama or a municipal or county government within Alabama. Obligations of other states may be acceptable if they are rated "AAA" and/or insured.

B. Permanent Fund Investments

1. *General Policy:* Permanent Fund Investments are applicable to the following fund groups:
 - a. Endowment (including Quasi-endowment and Term endowment)
 - b. Life Income or Annuity Funds managed by the University where the principal will eventually become the fee simple absolute property of the University.
2. *Investment Objectives*
 - a. The Board of Trustees for the University of North Alabama, through its President, is charged with fiduciary responsibility of growing the value of the endowment, thereby sustaining its ability to generate financial support to further the mission of the University. As a part of a commitment to long-range financial equilibrium, the Board adopts the Board objective of investing endowment assets so as to enhance the purchasing power or endowment income as to keep pace with inflation and evolving University needs. The Board's investment objective for the Permanent Fund Investments is to maximize investment returns consistent with liquidity needs of the University and to protect principal from decline in value due to investment losses or inflation.
 - b. The Board seeks superior investment returns through professional management, but not by assuming imprudent risks.
 - c. The primary long-term financial objective for the endowment is to grow the real (inflation-adjusted) purchasing power of endowment assets and income, after accounting for endowment spending, inflation, and costs of portfolio management.
 - d. It is the Board's general policy to pool endowment resources whenever possible. There are, however, occasional holdings that must be kept in non-pooled accounts. The following statement sets out explicit policies for the pooled endowment, but whenever possible, similar policies apply to non-pooled holdings as well.
3. *Investment Responsibility:* The Board assigns to the University President the responsibility for direct investment and the administration of Permanent Fund Investments. The President may choose to delegate investment responsibilities to University employee(s), a committee of University employees, or to arrange for outside investment management. The responsible investment authority shall monitor the Permanent Fund Investments to ensure that the above investment objectives are being met.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

4. *Asset Allocation:* Permanent Fund Investments (including approved mutual funds) shall have target allocations and normal ranges in accordance with University policy.

5. *Investment Criteria*

- a. *Fixed Income Investments* - The criteria for cash or cash equivalent investments with Permanent Funds shall be the same as for Operational Funds. With the exception of High Yield, all fixed income securities must have at least an “A” rating by Moody’s or Standard & Poor’s at the time of purchase. Call protection should be emphasized to assure stable and current income. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or the Board. No more than 10% of fixed income investments (except for cash or cash equivalents secured as required herein) shall be invested in one industry, nor shall one bond issue exceed 5% of total fund portfolio. (This limitation does not apply to U.S. government obligations.)
 - b. *Equity Investments* - Equity investments must be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. The aggregate investment in the equity securities or any one issuing corporation shall not exceed 1% of the outstanding capital of that corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the President or Board. “No load” funds with excellent earnings and growth history are preferred.
 - c. *Alternative Investments* - Alternative investments may consist of, but are not limited to, hedge funds, private equity, venture capital, limited partnerships, futures, commodities, and derivative investments. Further, any asset investment that requires liquidity beyond five months will also be considered an alternative investment. The suggested range for this asset class is 0-35% of the aggregate portfolio. Real estate and oil and gas investments from Permanent Funds shall not be made without express prior approval of the Board.
- C. *Prohibited Transactions* - Under no circumstances shall there be any investment activity whatsoever with University funds in the following types of transactions:
1. Unregistered or restricted Stock
 2. Foreign securities not traded on U.S. or NASDAQ exchange
 3. Initial public offerings (must have two-year trading history)
 4. Uncovered options
 5. Margin trading
- D. *Reporting and Performance Measurement*
1. *Reporting:* Internal and external investment managers shall report through the President to the Board no less than quarterly.
 2. *Performance Standards for Operational Funds:* Current funds, loan funds, and agency funds are generally expected to be maintained largely in cash or cash equivalents.

Generally, such funds should be invested or deposited to earn an annualized return equivalent to at least the average interest rate paid for the reporting period by commercial banks in the Shoals locality for one-year certificates of deposit in excess of \$100,000.00. Plant Funds should meet the performance standards required for the fixed income portion of the endowment.

3. *Performance Standards for Permanent Funds:* Manager performance will be evaluated according to the long-term asset allocation goals and guidelines specified in this policy.
- E. Social Responsibility - From time to time, the Board of Trustees or the President may exclude from eligibility for investment the equities or bonds of certain corporations because of social concerns over the policies or practices of those corporations.

Investments are subject to certain types of risks including credit risk, interest rate risk, and foreign currency risk. A description of each of these types of risk, and the University's policies to minimize these risks, are described as follows:

Interest Rate Risk – Interest rate risk involves the adverse effect changes in interest rates could have on the fair value of an investment. As a means of limiting its exposure to fair value losses arising from interest rates, the University's investment policies require that maturities of investments be matched against cash flow needs to minimize unnecessary risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This type of risk falls into the three categories described below:

1. *Credit Quality* – Nationally recognized statistical rating organizations provide ratings of debt securities quality, which provide investors with information about the issuer's ability to meet its obligations. The University's investment policies require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" shocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high risk transactions, such as futures, commodities, and margin purchases.
2. *Custodial Credit Risk* – Custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if that party fails. The University's custodial risk is limited. All investments are in the name of the University. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the Deposits section.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

3. *Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The University's investment policies reduce risk of this type of loss. The policies require that equity investments be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the University President or Board. These same criteria apply to fixed income investments.

At September 30, 2015, the University's investments types and related maturities were comprised of the following:

Type of Investments	Maturity in Years				Total
	<1	1-5	6-10	>10	
Total Certificates of Deposit	-	195,500	-	-	\$ 195,500
Equities					
U.S. Common Stock					28,525
Fixed Income Securities					
U.S. Government Obligations	-	5,292,516	-	-	5,292,516
Commingled Funds					
U.S. Equity Funds					841,788
U.S. Bond Funds					3,335,415
Hedge Funds					70,290
Total Commingled Funds					4,247,493
Total Investments in Partnerships					4,331,989
Total University Investments					<u>\$ 14,096,023</u>

At September 30, 2015, the amount and credit rating of the University's fixed or variable income securities was as follows:

Fixed or Variable Income Securities	
AAA	\$3,756,951
AA	3,186,359
A	1,684,621
	<u>\$8,627,931</u>

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

NOTE 3 - CAPITAL ASSETS

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

Schedule of Changes in Capital Assets

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Land	\$ 3,760,729	\$ 10,500	\$ -	\$ -	\$ 3,771,229
Improvements Other than Buildings	12,804,758	-	-	-	12,804,758
Buildings	101,237,325	281,286	-	47,614,325	149,132,936
Equipment	8,054,996	1,519,795	(2,069,564)	-	7,505,227
Software	7,615,055	-	-	-	7,615,055
Library Holdings	16,820,570	187,637	(886,985)	-	16,121,222
Construction in Progress	41,224,771	35,885,919	-	(47,614,325)	29,496,365
Total Capital Assets	\$ 191,518,204	\$ 37,885,137	\$ (2,956,549)	\$ -	\$ 226,446,792

Schedule of Depreciation

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Improvements Other than Buildings	\$ 7,031,908	\$ 443,122	\$ -	\$ -	\$ 7,475,030
Buildings	45,121,043	2,224,471	-	-	47,345,514
Equipment	6,758,066	332,290	(1,867,768)	-	5,222,588
Software	5,330,538	761,505	-	-	6,092,043
Library Holdings	15,267,164	401,049	(886,985)	-	14,781,228
Total Accumulated Depreciation	\$ 79,508,719	\$ 4,162,437	\$ (2,754,753)	\$ -	\$ 80,916,403
Total Capital Assets, Net	\$ 112,009,485	\$ 33,722,700	\$ (201,796)	\$ -	\$ 145,530,389

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

NOTE 4 - RECEIVABLES

Receivables are summarized as follows:

Accounts Receivable:

Federal and State Agencies	\$ 5,232,826
Third Party	1,645,979
Students	3,290,118
Other	893,416
Less: Allowance for Doubtful Accounts	<u>(713,869)</u>
Total Accounts Receivable, Net	<u>10,348,470</u>

Perkins Loan Receivables:

Current Perkins Loan Receivable	103,751
Noncurrent Perkins Loan Receivable	<u>386,760</u>
Total Perkins Loan Receivable	<u>490,511</u>
Total Receivables, Net	<u>\$10,838,981</u>

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions.

The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2015 was 11.71% of annual pay for Tier 1 members and 11.05% 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 \$4,714,970 for the year ended September 30, 2015.

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

At September 30, 2015 the University reported a liability of \$56,288,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014 the University's proportion was .6189%, which was an increase of .0086% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the University recognized pension expense of \$4,416,000. At September 30, 2015 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,216,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	695,000	-
Employer contributions subsequent to the measurement date	<u>4,569,031</u>	<u>-</u>
	<u>\$ 5,264,031</u>	<u>\$ 4,216,000</u>

\$4,569,031 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 162,000	\$ 1,054,000
2017	162,000	1,054,000
2018	162,000	1,054,000
2019	162,000	1,054,000
2020	<u>47,000</u>	<u>-</u>
Total	<u>\$ 695,000</u>	<u>\$ 4,216,000</u>

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Actuarial Assumptions

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

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.50% - 8.25%

*Net of pension plan investment expense

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

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

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

*Includes assumed rate of inflation of 2.50%.

Discount Rate

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

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

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Rate <u>(8.00%)</u>	1% Increases <u>(9.00%)</u>
University's proportionate share of collective net pension liability	76,600,000	56,228,000	38,961,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014.

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

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The University contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan.

University of North Alabama
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For the Year Ended September 30, 2015

The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members.

The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/index.php/members/peehip/financial-reports/> under the Trust Fund Financials tab.

Funding Policy

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

	Fiscal Year <u>2015</u>
Individual Coverage - Non-Medicare Eligible	\$151
Individual Coverage - Medicare Eligible	\$ 10
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109
Surviving Spouse - Non-Medicare Eligible	\$700
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$934
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	\$907
Surviving Spouse - Medicare Eligible	\$354
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	\$595
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	\$568

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For employees that retired, other than for disability, on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

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

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

The required contribution rate of the employer was \$370 per employee per month during the fiscal year ended September 30, 2015. The University paid \$1,714,104 in employer contributions for the fiscal year ended September 30, 2015. 100% of the required contributions were paid to PEEHIP. The required contribution rate is determined by PEEHIP in accordance with state statute.

NOTE 7 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2015, the University had been awarded approximately \$2,664,768 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 8 - ACCOUNTS PAYABLE

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

Salaries and Wages	\$ 2,102,615
Benefits	609,646
Construction Payable	1,659,687
Interest Payable	1,537,458
Other	<u>2,472,350</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 8,381,756</u>

University of North Alabama
Notes to the Financial Statements
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NOTE 9 – NON-CURRENT LIABILITIES

Non-Current Liability activity for the year ended September 30, 2015, was as follows:

	Beginning			Ending
	Balance	Additions	Reductions	Balance
2010A Revenue Bonds	\$ 8,015,000	\$ -	\$ (635,000)	\$ 7,380,000
2010B Build America Bonds	25,915,000	-	-	25,915,000
2012 Revenue Bonds	10,775,000	-	(345,000)	10,430,000
2014 Revenue Bonds	32,680,000	-	-	32,680,000
Total Bonds	<u>77,385,000</u>	<u>-</u>	<u>(980,000)</u>	<u>76,405,000</u>
2010A Bond Discount	(32,450)	-	1,240	(31,210)
2010B Bond Discount	(274,960)	-	10,508	(264,452)
2012 Bond Discount	(318,601)	-	15,232	(303,369)
2014 Bond Premium	<u>1,412,971</u>	<u>-</u>	<u>(47,363)</u>	<u>1,365,608</u>
Total Bonds, net	78,171,960	-	(1,000,383)	77,171,577
Other Liabilities:				
Net Pension Liability	-	56,228,000	-	56,228,000
Compensated Absences	<u>1,336,900</u>	<u>56,069</u>	<u>-</u>	<u>1,392,969</u>
Total	<u>\$ 79,508,860</u>	<u>\$ 56,284,069</u>	<u>\$ (1,000,383)</u>	<u>\$ 134,792,546</u>
Less: Current Portion of:				
Bonds Payable	(980,000)			(1,000,000)
Bond Discounts	26,980			26,980
Bond Premium	(47,362)			(47,362)
Compensated Absences	<u>(103,123)</u>			<u>(142,267)</u>
Total Current Portion	<u>(1,103,505)</u>			<u>(1,162,649)</u>
Total Non-Current Portion	<u>\$ 78,405,355</u>			<u>\$ 133,629,897</u>

The Series 2014 general fee revenue bonds were issued in 2014 by the Board of Trustees to provide funds for the acquiring and construction of new dormitories on the University's campus. These bonds were authorized in the original amount of \$32,680,000 with interest rates ranging from 2%-5% and a maturity date of November 2044.

The Series 2012 General Fee Revenue Build America Bonds were issued in 2012 by the Board of Trustees to refund the Series 2003 bonds, with the remainder of the proceeds of the bonds applied to the cost of acquiring and constructing the University Improvements.

University of North Alabama
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These bonds were authorized in the original amount of \$11,530,000 with an interest rate of 3.75% and a maturity date of November 2035. The current refunding of the Series 2003 bonds resulted in a cash flow savings with a net present value of \$402,698. This transaction met the requirements of a defeasance of the Series 2003 bonds.

The Series 2010A and B general fee revenue bonds were issued in 2010 by the Board of Trustees. The Series 2010A bonds were issued to refund the Series 1999A revenue bond. These bonds were authorized in the original amount of \$9,850,000 with interest rates ranging from 2%-4% and a maturity date of November 2035. The current refunding resulted in a cash flow savings with a net present value of \$164,908. This transaction met the requirements of a defeasance of the Series 1999A revenue bonds.

The Series 2010B Bonds were issued to provide funds for construction of a Science and Engineering Technology Facility and associated site improvements. These bonds were authorized in the original amount of \$25,915,000 with interest rates ranging from 5.75%-6.55% and a maturity date of November 2041. During the current fiscal year, the University received a 27.8% net subsidy based on the interest paid on these bonds.

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

The University has prepaid bond insurance, bond discounts and a bond premium in connection with the issuance of its 2010A, 2010B, 2012 and 2014 Series Revenue Bonds. The prepaid insurance costs, bond discounts, and bond premium are being amortized using the straight-line method over the life of the bonds as follows:

Fiscal Year	Prepaid Insurance	Bond Discounts	Bond Premium
2016	\$ 17,927	\$ 26,980	\$ 47,362
2017	17,927	26,980	47,362
2018	12,114	26,980	47,362
2019	9,954	26,980	47,362
2020	9,954	26,980	47,362
2021-2025	49,770	134,900	236,810
2026-2030	49,770	134,900	236,810
2031-2035	49,770	134,900	236,810
2036-2040	49,770	48,923	236,810
2041-2044	1,660	10,508	181,558
Totals	<u>\$ 268,616</u>	<u>\$ 599,031</u>	<u>\$ 1,365,608</u>

University of North Alabama
Notes to the Financial Statements
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Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Principal	Interest	Totals
2016	\$ 1,000,000	\$ 3,138,852	\$ 4,138,852
2017	1,550,000	3,065,534	4,615,534
2018	1,685,000	3,021,284	4,706,284
2019	1,735,000	2,965,746	4,700,746
2020	1,810,000	2,896,409	4,706,409
2021-2025	10,335,000	13,194,109	23,529,109
2026-2030	12,890,000	10,883,901	23,773,901
2031-2035	15,725,000	8,071,325	23,796,325
2036-2040	19,555,000	4,235,430	23,790,430
2041-2044	10,120,000	686,322	10,806,322
Totals	<u>\$ 76,405,000</u>	<u>\$ 52,158,912</u>	<u>\$ 128,563,912</u>

Build America Bonds

The American Recovery and Reinvestment Act of 2009 authorized the issuance of Build America Bonds (BABs), whereby certain issuers are authorized to issue taxable bonds and receive an annual subsidy from the federal government on these bonds. During the 2011 fiscal year, the University issued BABs bonds in the amount of \$25,915,000. The proceeds were used to finance the acquisition and construction of a Science and Engineering Technology Facility. During the year ended September 30, 2015, the University received \$539,879 in interest subsidy payments that are included in interest. The subsidies to be received by the University are reflected in the principal and interest maturity requirements above.

Pledged Revenues

The University has pledged general student tuition and fees revenues for the payment of debt service on the 2010A, 2010B, 2012 and 2014 Series Revenue Bonds. Future revenues in the amount of \$128,563,910 are pledged to repay principal and interest on the bonds at September 30, 2015. Pledged revenues in the amount of \$51,452,997 were received during the fiscal year ended September 30, 2015, with \$3,774,407 or 7.34% of pledged revenues being used to pay principal and interest during the fiscal year.

NOTE 10 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's President, Vice-President of Financial Affairs, as well as on all other University personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

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

NOTE 11 - SUBSEQUENT EVENTS

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

NOTE 12 – UNIVERSITY OF NORTH ALABAMA FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

Organization

The University of North Alabama Foundation (UNAF), is a nonprofit organization existing to assist the University of North Alabama (the University), a public institution of higher education, in promoting, sponsoring, fostering and carrying out activities to broaden educational opportunities for and services to the students and alumni.

Summary of Significant Accounting Policies

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment.

Tax-Exempt Status - UNAF is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments. All cash is secured by the bank through a repurchase agreement or FDIC Insurance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Basis of Presentation - Financial statement presentation follows the Not-For-Profit Entities topic of the FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, UNAF is required to report information regarding its financial position and activities according to three classes of net asset; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, UNAF is required to present a statement of cash flows.

Investments

UNAF's endowment consists of approximately 244 individual funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of UNAF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UNAF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UNAF in a manner consistent with the standard of prudence prescribed by SPMIFA.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

In accordance with SPMIFA, UNAF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UNAF, and (7) UNAF's investment policies. UNAF has received four donations to establish permanent endowment funds to provide scholarships for University of North Alabama students and the terms of the donations require these funds to be segregated from other UNAF funds.

UNAF's investment policy mirrors that of The University.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires UNAF to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature that are reported in unrestricted net assets were \$265,020 as of September 30, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Changes in endowment net assets as of September 30, 2015, are as follows:

	<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment Net Assets				
Beginning of Year	\$ 22,083,265	\$ (10,325)	\$ 3,736,511	\$ 18,357,079
Contributions, Net	3,649,989	-	-	3,649,989
Investment Income	481,792	-	481,792	-
Net Appreciation (Depreciation)	(1,229,261)	-	(1,229,261)	-
Excess Loss to Unrestricted	-	(254,695)	254,695	-
Amounts Appropriated for Expenditure	(595,901)	-	(595,901)	
Transfer	<u>(216,017)</u>	<u>-</u>	<u>(219,978)</u>	<u>3,961</u>
Endowment Net Assets, End of Year	<u>\$ 24,173,867</u>	<u>\$ (265,020)</u>	<u>\$ 2,427,858</u>	<u>\$ 22,011,029</u>

Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. UNAF distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Unconditional promises to give at September 30, 2015, are as follows:

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Promises to Give Expected to be Collected in:	
Less than One Year	\$ 2,043,064
One to Five Years	<u>1,620,097</u>
	3,663,161
Less Allowance for Uncollectible Promises to Give	(77,722)
Less Discount at 1.2% on Promises to Give	<u>(57,953)</u>
Net Unconditional Promises to Give	<u><u>\$ 3,527,486</u></u>

During 2015, UNAF received promises to give totaling \$262,415 that contained donor conditions (primarily athletic sponsorship requirements). Since these pledges represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

Fair Value Measurements

The carrying amounts in the statement of financial position for accounts payable approximate fair value due to their short maturities. The carrying amounts for unconditional promise to give approximate fair value as amounts expected to be collected in future years have been discounted to present value and the receivable has been reduced by an allowance for doubtful accounts (Note 3). The carrying amounts of other financial instruments approximate fair value.

ASC 820, *Fair Value Measurements and Disclosures*, provides a common definition of fair value and establishes a framework for measuring fair value. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These inputs are summarized in three broad levels for financial statement purposes.

Level 1: Quoted prices for identical securities in active markets.

Level 2: Other significant observable inputs other than Level 1 prices, such as quoted prices for similar securities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect UNAF's investment managers' own assumptions used to determine the fair value of investments.

Level 2 investment securities include certain U.S. government and agency obligations and corporate bonds for which quoted prices are not available in active markets for identical instruments. Because quote prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Level 2 investments may include fixed income funds. The fair value of these investments were estimated based on the net asset value (“NAV”) at September 30, 2015, provided by the fund manager.

UNAF used the net asset value (NAV) or capital balances of its interest in Level 3 investments as a practical expedient to determine the fair value of Level 3 investment funds. These funds do not have a readily determinable fair value and either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for the Level 3 investments existed, and the difference could be material. Additional information about the major categories of Level 3 investments is presented below.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Management has instituted processes in the area of initial due diligence, ongoing monitoring and financial reporting. Management also reviews interim financial information and reviews details of investment holdings to obtain an understanding of the underlying investments. Monitoring also includes obtaining and reviewing audited financial statements noting the type of opinion, basis of accounting, procedures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund’s valuation.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments measured at fair value on a recurring basis as of September 30, 2015:

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ 406,042	\$ -	\$ -	\$ 406,042
Money Market	745,232	-	-	745,232
Limited Partnerships and LLCs				
US Equities	-	-	5,684,332	5,684,332
International Equities	-	-	2,309,482	2,309,482
GT Emerging Market	-	-	583,683	583,683
Palladian Partners VIII-A, LP	-	-	101,448	101,448
GTAA Offshore C/Hedge				
Strategies-Hedge Equities	-	-	6,889,753	6,889,753
Total Limited Partnerships and LLCs	-	-	15,568,698	15,568,698
Mutual Funds				
PIMCO Short Term-				
Fixed Income-Short Return	2,528,740	-	-	2,528,740
American Fund Washington Mutual	14,543	-	-	14,543
Vanguard Total Bond	1,671,838	-	-	1,671,838
1670 Bond Fund	-	1,732,240	-	1,732,240
First Eagle Global Fund	471,396	-	-	471,396
Eagle MPL Strategy Fund	700,731	-	-	700,731
Gotham Neutral Fund	293,629	-	-	293,629
Total Mutual Funds	5,680,877	1,732,240	-	7,413,117
Complementary Strategies				
Other	-	-	136,123	136,123
Total Complementary Strategies	-	-	136,123	136,123
Total All	<u>\$ 6,832,151</u>	<u>\$ 1,732,240</u>	<u>\$ 15,704,821</u>	<u>\$ 24,269,212</u>

The following table illustrates the activity of Level 3 assets from October 1, 2014 to September 30, 2015:

Fair Value, October 1, 2014	\$ 9,957,422
Realized Gains	56,983
Change in Unrealized Losses	(348,796)
Purchases	7,462,275
Sales Distributions	(1,423,063)
Fair Value, September 30, 2015	<u>\$ 15,704,821</u>

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

The following table provides information related to the previously mentioned investments that are valued at September 30, 2015 based on NAV:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. Equity (a)	\$ 5,684,332	\$ -	Quarterly	60 Days
International Equity (b)	2,309,482	-	Quarterly	60 Days
Emerging Markets Equity (c)	583,683	-	Annual	30 Days
Hedged Equity (d)	6,889,753	-	Annual	90 Days
Private Equity (e)	101,448	950,000	Annual	90 Days
Opportunistic (f)	136,123	131,950	Annual	90 Days
	<u>\$ 15,704,821</u>	<u>\$ 1,081,950</u>		

- a. U.S. Equity – This category generally consists of managers that invest primarily in equity securities of U.S. corporations. U.S. equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.
- b. International Equity – This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in foreign countries. International equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.
- c. Emerging Markets – This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in emerging foreign countries. Emerging markets equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily consist of long-only investments and hedged equity investments (long and short).
- d. Hedged Equity – This category consists of funds of funds that make long and short position equity investments. The bulk of the investment is subject to semi-annual or annual redemption.
- e. Private Equity – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.
- f. Opportunistic – This category may include any strategy that offers exceptional risk/reward opportunities. This category is designed to provide the Investment Committee with the flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Subsequent Events

UNAF has evaluated subsequent events and transactions through the date of UNA's auditor's report, which is the date the financial statements were available to be issued, for possible recognition and disclosure in the financial statements for the year ended September 30, 2015.

NOTE 13 – UNEARNED REVENUE

Unearned revenue primarily includes tuition revenue related to the portion of the Fall semester subsequent to September 30, 2015, funding received for contracts and grants which has not been expended as of September 30, 2015, as well as athletic revenue related to games played subsequent to September 30, 2015. Unearned revenues at September 30, 2015 are as follows:

Tuition and Fees, Net	\$ 19,868,095
Federal, State, and Local Government Grants and Contracts	3,257,612
Auxiliary Revenues, Net	59,050
Other Revenue	<u>67,107</u>
Total Unearned Revenue	<u><u>\$ 23,251,864</u></u>

NOTE 14 – NET POSITION RESTATEMENT

As described in Note 1, net position as of October 1, 2014, has been restated for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This adjustment and other prior period adjustments have been made as follows:

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Beginning Net Position, September 30, 2014	<u>\$ 110,835,392</u>
Prior Period Adjustments:	
Prior Year Defeasance on Extinguishment of Debt	85,058
Prior Year Perkins Funds Adjustment	(859,824)
Prior Year Debt Underwriting Fees	(452,136)
Prior Year Doubtful Account Expense	(666,350)
Prior Year Depreciation	1,553,407
Prior Year Capital Expenditures	<u>121,700</u>
Total Prior Period Adjustments	<u>(218,145)</u>
Adjustment for Implementation of GASB 68, Amended by GASB 71:	
Net Pension Liability (measurement date as of September 30, 2014)	(59,779,000)
Deferred Outflows - contributions subsequent to measurement date	<u>4,446,000</u>
Total adjustment for Implementation of GASB 68, Amended by GASB 71	<u>(55,333,000)</u>
Total All Beginning Net Position Adjustments	<u>(55,551,145)</u>
Beginning Net Position, October 1, 2014, as restated	<u>\$ 55,284,247</u>

NOTE 15 – IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Statement No. 72, *Fair Value Measurement and Application* was issued in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements, and generally requires investments to be measured at fair value. Acquisition value will be required for some types of assets that were previously reported at fair value. It also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This Statement is effective for periods beginning after June 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* was issued in June 2015. This Statement extends the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary. It also requires similar disclosures as Statement No. 68, as well as clarifying certain provisions of Statements No. 67 and No. 68. Various provisions of this Statement are effective for fiscal years beginning after June 15, 2016 and fiscal years beginning after June 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* was issued in June 2015. This Statement improves financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by other postemployment benefit (OPEB) plans that are administered through trusts that meet the specified criteria. It is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015. This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement, but expects it will record a material liability and a material reduction of its unrestricted net position upon adoption.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* was issued in June 2015. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 77, *Tax Abatement Disclosures* was issued in August 2015. This Statement requires governments that enter into tax abatement agreements to disclose information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The University does not believe the adoption of this Statement will have an effect on the University's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* was issued in December 2015. This Statement addresses the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*, regarding pensions provided through certain multiple-employer defined benefit pension plans and to state and local governmental employers whose employees are provided with such pensions. This Statement amends the scope of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets certain criteria. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that qualify.

University of North Alabama
Notes to the Financial Statements
For the Year Ended September 30, 2015

This Statement is effective for periods beginning after December 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 79, *Certain External Investment Pools and Pool Participants* was issued in December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, except for certain provisions which are effective for periods beginning after December 15, 2015. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

NOTE 16 – RELATED PARTIES

UNAF exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. At September 30, 2015, pledges receivable from the Alumni Association and University board members and directors were \$34,550 and \$40,949 respectively. UNAF has payables to the University of \$413,955. UNAF uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$20,720 for the year ending September 30, 2015. UNAF employees are paid by the University. The salaries and benefits and supplies for year ending September 30, 2015, were \$770,218.

UNAF has an affiliation agreement with the University of North Alabama Sportsman's Club. UNAF has a pledge receivable from the Sportsman's Club of \$130,000 at September 30, 2015. UNAF owes \$126,331 to the Sportsman's Club at September 30, 2015.

The University of North Alabama Alumni Association was created to promote scientific, literary, and educational purposes, advancement of the University, and for the encouragement and support of its students and faculty. This report contains financial activity of the University of North Alabama Alumni Association, as a component of the University of North Alabama Foundation financial statements.

Required Supplementary Information

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

	For the measurement period ended <u>September 30, 2014</u>
UNA's proportion of the net pension liability	0.6189%
UNA's proportionate share of the net pension liability	\$56,228,000
UNA's covered-employee payroll	\$41,380,141
UNA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.88%
Plan fiduciary net position as a percentage of the total pension liability	71.01%

**Notes to the Schedule of University of North Alabama's Proportionate Share of the Net
Pension Liability**

This schedule presents only one year of information, rather than ten years, as only one year of trend information is available at September 30, 2015.

University of North Alabama
Schedule of University of North Alabama's Contributions
Teachers' Retirement System of Alabama

	<u>2015</u>
Contractually Required Contribution	\$ 4,714,970
Contributions in relation to the contractually required contribution	<u>4,714,970</u>
Contribution deficiency (excess)	<u>\$ -</u>
System's covered-employee payroll	\$ 40,538,730
Contributions as a percentage of covered-employee payroll	11.63%

Notes to the Schedule of University Contributions

This schedule presents only one year of information, rather than ten years, as only one year of trend information is available at September 30, 2015.

Additional Information

University of North Alabama
Listing of University Officials
October 1, 2014 through September 30, 2015

Officials

Kenneth D. Kitts

Clinton P. Carter

Shauna L. James

Position

President

Vice-President of Financial Affairs

Director of Student Financial Services

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Trustees
University of North Alabama

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 the University of North Alabama as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2016. The financial statements of the University of North Alabama Foundation, a discretely presented component unit of the University of North Alabama, 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 University of North Alabama Foundation.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

This report is intended solely for the information and use of management, President of the University, Chancellor of the Department of Postsecondary Education, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CDPA, PC

Florence, Alabama

March 24, 2016

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

To the Board of Trustees
University of North Alabama

Report on Compliance for Each Major Federal Program

We have audited University of North Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University of North Alabama's major federal programs for the year ended September 30, 2015. The University of North Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The financial statements of the University of North Alabama Foundation were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to the University of North Alabama Foundation.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University of North Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of North Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University of North Alabama 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, 2015.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The University of North Alabama's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs on page 67 under the header "Management's View and Corrective Action Plan". The University of North Alabama's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of North Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did

not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

This report is intended solely for the information and use of management, President of the University, Chancellor of the Department of Postsecondary Education, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CDPA, PC

Florence, Alabama

March 24, 2016

PART III

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Grantor's Number	Assistance Period	Expenditures
MAJOR PROGRAMS				
<u>Student Financial Assistance Cluster</u>				
<u>U.S. Department of Education Direct Programs</u>				
Federal Pell Grant Program	84.063		07/01/2014-06/30/2015	\$ 4,599,586
Federal Pell Grant Program	84.063		07/01/2015-06/30/2016	5,172,910
Federal Pell Grant Program Administrative Allowance	84.063			<u>11,810</u>
Sub-Total Federal Pell Grant Program				9,784,306
Federal Work-Study Program	84.033		07/01/2014-06/30/2015	191,448
Federal Work-Study Program	84.033		07/01/2015-06/30/2016	<u>63,857</u>
Sub-Total Work-Study Program				255,305
Federal Supplemental Education Opportunity Grants	84.007		07/01/2014-06/30/2015	102,496
Federal Supplemental Education Opportunity Grants	84.007		07/01/2015-06/30/2016	<u>81,375</u>
Sub-Total Federal Supplemental Educational Opportunity Grants				183,871
Total U.S. Department of Education Direct Programs				<u>10,223,482</u>
<u>U.S. Department of Health and Human Services</u>				
Scholarships for Health Profession Students from Disadvantaged Backgrounds	93.925		07/01/2015-06/30/2016	184,464
Scholarships for Health Profession Students from Disadvantaged Backgrounds	93.925		07/01/2014-06/30/2015	413,130
Scholarships for Health Profession Students from Disadvantaged Backgrounds	93.925		07/01/2013-06/30/2014	<u>(4,603)</u>
Total U.S. Department of Health and Human Services				<u>592,991</u>
Total Student Financial Assistance Cluster				<u>10,816,473</u>
Total Major Programs				<u>\$ 10,816,473</u>

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

University of North Alabama
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Assistance Period	Expenditures
NON-MAJOR PROGRAMS				
<u>Research and Development Cluster</u>				
<u>National Science Foundation Direct Program</u>				
Mathematical and Physical Sciences	47.049		06/01/2013-05/31/2016	27,726
<u>Highway Planning and Construction Cluster</u>				
<u>U. S. Department of Education Passed Through Alabama Commission on Higher Education</u>				
Highway Planning and Construction	20.205	SB-SP09 (902)	10/11/2011-Continuous	1,833
<u>Child Nutrition Cluster</u>				
<u>U.S. Department of Agriculture Passed Through Lauderdale County Board of Education</u>				
National School Lunch Program	10.555		10/01/2014-09/30/2015	17,824
<u>Small Business Administration Passed Through the University of Alabama</u>				
Small Business Development Center	59.037	SBAHQ015-B-0004	10/01/2014-09/30/2015	71,993
<u>U.S. Department of Defense Passed Through the University of Alabama</u>				
Procurement Technical Assistance for Business Firms	12.002	SP4800-15-2-1501	08/01/2015-07/31/2016	3,502
Procurement Technical Assistance for Business Firms	12.002	SP4800-15-2-1501	08/01/2014-07/31/2015	18,612
Total Procurement Technical Assistance for Business Firms				22,114
<u>U.S. Department of Education Passed Through Alabama Department of Education</u>				
Mathematics and Science Partnerships	84.366	U300485	10/01/2014-09/30/2015	220,378
Mathematics and Science Partnerships	84.366	U100566	10/01/2013-02/28/2015	42,692
Total Mathematics and Science Partnerships				263,070
Improving Teacher Quality State Grants	84.367	U400090	10/01/2013-09/30/2015	6,086
<u>U.S. Department of Agriculture Passed Through Alabama Department of Agricultural and Industries</u>				
Specialty Crop Block Grant Program Farm Bill	10.170	12-25-1652	09/30/2013-09/29/2016	695
<u>U.S. Department of Justice Direct Program</u>				
Public Safety Partnership and Community Policing Grants	16.710		12/26/2007-06/25/2015	4,041

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

University of North Alabama
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Assistance Period	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services Direct Programs</u>				
Occupational Safety and Health Program	93.262		07/01/2015-06/30/2016	165
Occupational Safety and Health Program	93.262		07/01/2014-06/30/2015	<u>35,795</u>
Total Occupational Safety and Health Programs				35,960
<u>U.S. Department of the Interior Direct Programs</u>				
American Battlefield Protection	15.926		08/01/2013-08/01/2015	1,193
National Heritage Area Federal Financial Assistance	15.939		07/06/2010-03/30/2024	82,030
<u>National Science Foundation Direct Program</u>				
Geosciences	47.050		04/01/2015-04/30/2018	6,984
Title I Grants to Local Educational Agencies	84.010		12/08/2014-09/30/2015	6,622
<u>Department of Education Office of Special Education and Rehabilitative Services Direct Program</u>				
Special Education Grants to States	84.027A		12/08/2014-09/30/2015	<u>822</u>
Total Non-Major Programs				<u>548,993</u>
Total Federal Awards				<u>\$ 11,365,466</u>

N.A. = Not Available

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

University of North Alabama
Notes to the Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2015

NOTE 1 - BASIS OF PRESENTATION

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

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Programs classified as Type A are as follows:

Student Financial Assistance Programs

Federal CFDA Numbers

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

NOTE 2 - LOANS OUTSTANDING

Federal Direct Student Loans (CFDA Number 84.268) - The Federal Direct Loan Program (FDSLP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan directly through the Department of Education. As a university qualified to originate loans, The University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. Under FDSLP, files are transmitted via the Federal Common Originator and Disbursement System (COD). Funds are received via G5, a federal website. The Department of Education is responsible for the collection of these loans.

The University disbursed approximately \$27.98 million under these programs during the fiscal year ended September 30, 2015, which is not reflected on the schedule of expenditures of federal awards.

Federal Perkins Loan Program (CFDA Number 84.038) - The Federal Perkins Loan Program (Perkins) is administered directly by the University. There were no current year student advances under this program. Outstanding loan balances from previous year’s activity are included in the University’s basic financial statements. The balances of loans outstanding at September 30, 2015 totaled \$490,511, which is not reflected on the schedule of expenditures of federal awards.

University of North Alabama
Notes to the Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2015

**NOTE 3 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

The following schedule is a reconciliation of total federal expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown on the Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2015.

Federal Grants and Contracts – Operating Revenue	\$ 1,479,724
Federal Grants – Nonoperating Revenue	10,055,744
Fall 2015 Deferred Pell Grant Revenue	1,678,617
Fall 2014 Deferred Pell Grant Revenue	(1,833,050)
Administrative Processing Fees not included in SEFA	<u>(15,569)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 11,365,466</u></u>

PART IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency(ies) identified? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ☒ yes ☐ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.268	Federal Direct Student Loans
93.925	Scholarships for Health Profession Students from Disadvantaged Backgrounds

Threshold used to determine Type A and Type B Programs: \$ 340,964

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

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

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

Section III – Federal Award Findings and Questioned Costs

REFERENCE	PROGRAM	QUESTIONED COSTS
2015-001	Student Financial Aid	\$ 717

Award Year – July 1, 2014 through June 30, 2015
Federal Pell Grant Program – CFDA 84.063

CONDITION

The University is responsible for accurately calculating the annual award of Federal Pell Grant as well as the amount of Pell Grant to be disbursed each payment period depending on the student's enrollment status, expected family contribution (EFC) and cost of attendance (COA). During our review, we noted that 1 out of 60 students selected for testing was not disbursed his awarded amount of Pell Grant due to an error in the Banner software system.

REFERENCE

34 CFR §690.63 – Calculation of a Federal Pell Grant for a Payment Period

CAUSE/EFFECT

The University accurately calculated the student's Pell award for the fall and spring semester. However, the student was awarded a Pell amount for the summer semester, but due to a coding error in Banner, the student did not receive the awarded funds.

RECOMMENDATION

We recommend that the University monitor Banner to ensure that awarded funds are paid to eligible students. Furthermore, we recommend the implementation of a secondary detective control whereby any students awarded Pell funds are disbursed those funds in Banner.

MANAGEMENT'S VIEW AND CORRECTIVE ACTION PLAN

Management concurs with this finding. The University has adjusted this student's account and will review awarded funds in the future to ensure they are properly disbursed. The University will also begin running a report at the beginning of the semester to ensure that all awarded students are disbursed funds in banner. This control will allow for detection of such errors in the future.

CORRECTIVE ACTION PLAN CONTACT

Shauna James, Director of Student Financial Services

University of North Alabama
Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings associated with federal awards noted.