

Report on the

Coastal Alabama Community College

Bay Minette, Alabama

October 1, 2019 through September 30, 2020

Filed: July 30, 2021



Department of Examiners of Public Accounts

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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Coastal Alabama Community College, Bay Minette, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

JoNesia Turner
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Coastal Alabama Community College
October 1, 2019 through September 30, 2020**

Coastal Alabama Community College (the “College”) is located in Bay Minette, Alabama with campuses in Fairhope, Mobile, Brewton, Atmore, Monroeville, Thomasville, Gilberttown, Jackson, and Gulf Shores. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award the Associate in Arts, Associate in Science, and Associate in Applied Science degrees. The College also awards certificates and short-term certificates in selected career and technical fields.

Coastal Alabama Community College is a publicly supported institution in the Alabama Community College System. The College is under the direction and control of the Alabama Community College System Board of Trustees through the Chancellor of the Alabama Community College System Office.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the College complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means the College’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

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

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of the audit: Dr. Warren Craig Pouncey, President; Jessica Davis, Chief Financial Officer; and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Dr. Warren Craig Pouncey, President; Jessica Davis Chief Financial Officer, and Jill Cabaniss, Director of Finance. Representing the Alabama Community College System were: Sara Calhoun, Executive Director of Fiscal Services; Billy Merrill, Associate Director Fiscal-Special Projects; and Julia Dennis, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts were: Mary Ann DuBose, Audit Manager and JoNesia Turner, Examiner.



Department of
Examiners of Public Accounts

COMMENTS

**Coastal Alabama Community College
October 1, 2019 through September 30, 2020**

Coastal Alabama Community College was formed in January of 2017 as a result of the consolidation of James H. Faulkner State Community College, Jefferson Davis Community College, and Alabama Southern Community College all located in Southwest Alabama. Coastal Alabama Community College also acquired the Mobile Aviation campus of Enterprise State Community College. The consolidation was approved by the Alabama Community College Board of Trustees and Southern Association of Colleges and Schools Commission on Colleges. Coastal Alabama Community College has campuses in seven (7) counties and services over 9,000 square miles. The histories of the consolidated colleges are summarized below.

James H. Faulkner State Community College had its origin on May 3, 1963 when Act Numbers 92, 93, and 94 of Acts of Alabama 1963 were approved. Act Number 92 on page 257 provided funds to pay the principal and interest on bonds, not exceeding \$15,000,000, issued and sold by the public corporation known as the Alabama Trade School and Junior College Authority for the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges.

James H. Faulkner State Community College has undergone several transitions and name changes in its lifetime. For the first few months of operation, it was called Bay Minette State Junior College, but in early 1966, the State Board of Education named the College William Lowndes Yancey State Junior College in honor of a pre-Civil-War statesman and educator. In 1970, the name changed to James H. Faulkner State Junior College to honor Mr. James H. Faulkner, a prominent citizen of Baldwin County. The College name was changed again by the State Board of Education in August 1992 to James H. Faulkner State Community College to more accurately reflect its mission and purpose.

The College has grown from an initial enrollment of 401 students and one campus in 1965 to a current combined enrollment of over 4,000 students on all three campuses. Beginning in 1964 through 1994, land for the present James H. Faulkner State Community College Bay Minette campus was acquired from the Bay Minette Chamber of Commerce, approximately 77 acres, and several local individuals, approximately 70 acres. The Bay Minette campus of the College presently contains approximately 147 acres of property.

James H. Faulkner State Community College began offering courses at Fairhope in 1970 and in 1975, the College added a permanent staff, student services and expanded offering of programs and services to the community. Facilities used at that time were through agreements with the Eastern Shore Art Association and Fairhope High School as well as the Fairhope Public Library. In May 1987, the College entered into a 99 year lease agreement with the City of Fairhope to acquire approximately 10 acres of property located in downtown Fairhope that had been the campus of the Marietta Johnson School of Organic Education. The Fairhope site was entered in the National Register of Historic Places by the United States Department of Interior on July 1, 1988. Since that time, the College has conducted classes at this campus.

James H. Faulkner State Community College began offering courses in Foley in 1991. An off-campus site was established at the old Foley High School campus and employed faculty, staff, and administration for the course offerings in Foley. In July 1993, the College entered into a 50 year agreement with the Public Education Building Authority of the City of Gulf Shores, Alabama to acquire approximately 15 acres of property in the City of Gulf Shores for the purpose of establishing and developing the College's Gulf Shores campus. Three permanent instructional buildings are located on this campus with proposed future expansion for six additional facilities and will continue to develop new facilities and program offerings at this location.

Jefferson Davis Community College was created by action of the Alabama State Board of Education on December 13, 1990, by consolidating Jefferson Davis Junior College and Atmore State Technical College.

Jefferson Davis Junior College had its origin on May 3, 1963 when Act Numbers 92, 93, and 94 of Acts of Alabama 1963 were approved. Act Number 92 on page 257 provided funds to pay the principal and interest on bonds, not exceeding \$15,000,000, issued and sold by the public corporation known as the Alabama Trade School and Junior College Authority. Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade School and Junior College Authority, for the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges.

The City of Brewton and the Escambia County Board of Commissioners donated the site for construction of a college. The City of Brewton donated 35 acres of land that was purchased in 1955 from Mrs. Mabel Leigh for \$22,500. The Board of Commissioners purchased an additional 65 acres from the heirs of John M. Holladay on January 6, 1964 for \$45,745. The land is located in the Alco area of Brewton. Classes began at Jefferson Davis Junior College on September 30, 1965.

The Atmore State Technical College (originally called Atmore State Technical Institute) and now the Jefferson Davis Community College Atmore Campus is located at the intersection of I-65 and Highway 21 North approximately six miles from the city of Atmore. It was created by Act Number 2295 on September 30, 1972; however, it was not until May 1, 1974, that classes (formerly conducted by the J. F. Ingram State Vocational School in Deatsville, Alabama) were placed under the supervision of the Atmore State Technical Institute in Atmore, Alabama.

Alabama Southern Community College had its origin on May 3, 1963 when Act Numbers 92, 93, and 94 of Acts of Alabama 1963 were approved. Act Number 92 on page 257 provided funds to pay the principal and interest on bonds, not exceeding \$15,000,000, issued and sold by the public corporation known as the Alabama Trade School and Junior College Authority. Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade School and Junior College Authority, for the objective of providing for the construction and equipment of educational institutions within the state known as junior colleges and trade schools. Act Number 94 on page 268 vested in the Alabama State Board of Education the authority and responsibility for the operation, management, control, supervision, maintenance, regulation, upkeep, improvement, equipment, and enlargement of, and additions to, educational institutions known as trade schools and junior colleges.

Patrick Henry State Junior College in Monroeville, Alabama and Hobson State Technical College in Thomasville, Alabama both opened in 1965. Patrick Henry State Junior College was an academic, university transfer college and Hobson State Technical College was a vocational/technical college with no university transfer programs. On August 22, 1991, the Alabama State Board of Education consolidated Patrick Henry State Junior College and Hobson State Technical College to form Alabama Southern Act Number 93 on page 259 authorized the Governor, the Director of Finance, and the State Superintendent of Education to become a corporation, to be known as the Alabama Trade School and Junior College Authority, Community College. Alabama Southern Community College consists of two main campuses, three instructional sites, and a noncredit site for the educational training of prison parolees.

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Independent Auditor's Report

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Warren Craig Pouncey, President – Coastal Alabama Community College
Bay Minette, Alabama 36507

Report on the Financial Statements

We have audited the accompanying basic financial statements of Coastal Alabama Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and related notes to the financial statements which collectively comprise Coastal Alabama Community College'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 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 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 of 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 opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Coastal Alabama Community College, as of September 30, 2020, and its changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Coastal Alabama Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 8), is presented for purposes of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 2, 2021, on our consideration of Coastal Alabama Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coastal Alabama Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Coastal Alabama Community College's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 2, 2021

*Management's Discussion and Analysis
(Required Supplementary Information)*

Coastal Alabama Community College

Management's Discussion and Analysis

Coastal Alabama Community College is a public, open door, comprehensive community college dedicated to meeting the changing needs of citizens in the Alabama service area. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal and professional advancement. A wide range of academic courses prepares students to transfer to four-year institutions. Technical programs equip students to master certain skills as well as to utilize them through job entry.

This discussion and analysis of the College's financial statements provides an overview of its financial activity for the year and comparative amounts for the prior year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a 'point in time' financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Coastal Alabama Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), Deferred Outflows and Inflows, and the Net Position (Assets minus Liabilities).

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions.

Net position is divided into three major categories. The first category, net investments in capital assets, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net position, which is divided into two categories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position which is available to the institution for any appropriate purpose of the institution.

Statements of Net Position (thousands of dollars)

	2019	2020
Assets:		
Current Assets	\$ 49,677	\$ 53,028
Capital Assets, Net	57,009	56,980
Other Noncurrent Assets	5,320	5,385
Total Assets	112,006	115,393
Deferred Outflows	7,963	8,316
Liabilities:		
Current Liabilities	12,834	14,478
Noncurrent Liabilities	77,576	65,110
Total Liabilities	90,410	79,588
Deferred Inflows	7,601	17,686
Net Position:		
Net Investment in Capital Assets	38,593	40,142
Restricted – Nonexpendable	784	1,067
Restricted – Expendable	7,966	1,724
Unrestricted	(25,385)	(16,498)
Total Net Position	\$ 21,958	\$ 26,435

The \$115 million in assets includes cash and cash equivalents of \$34.5 million and investments of \$5.7 million. A review of the Statement of Net Position also reveals accounts receivable of \$16.4 million. Most of this represents amounts where a third party is paying for a student.

Capital assets display the result of the implementation of a policy to capitalize only those capital assets with an acquisition cost of \$5,000 or more. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.

Liabilities of \$79.6 million include long-term debt of \$16 million, compensated absences of \$1 million, Net pension of \$38.1 million and Net OPEB of \$10.9 million as of the end of the 2020 fiscal year. Also included in the liabilities is unearned revenue of \$4.08 million. The assets less liabilities result in net position of \$26,435 million.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

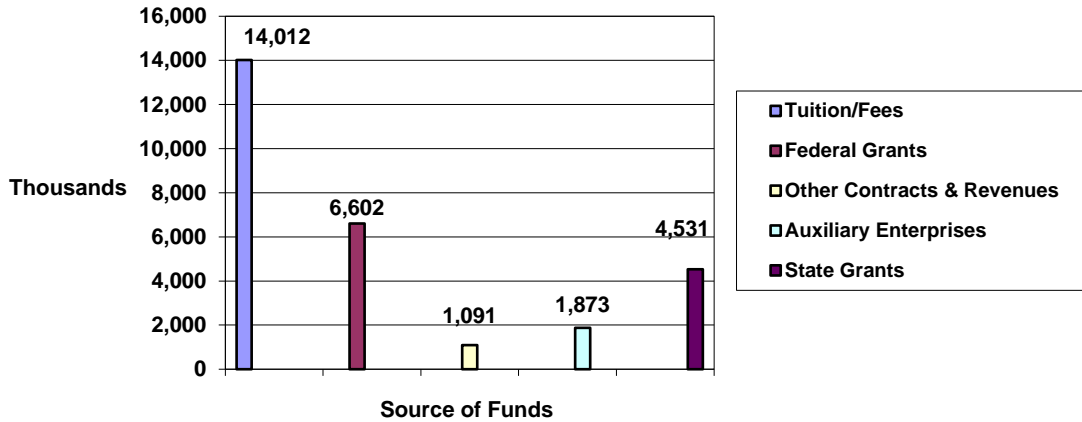
Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statements of Revenues, Expenses and Changes in Net Position (thousands of dollars)

	<u>2019</u>	<u>2020</u>
Operating Revenues	\$ 26,643	\$ 28,110
Operating Expenses	68,729	63,623
Operating Loss	<u>(42,086)</u>	<u>(35,513)</u>
Nonoperating Revenues and Expenses	<u>43,371</u>	<u>42,638</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	1,285	7,125
Other Revenue, Expenses, Gains or Losses	<u>28</u>	
Increase in Net Position	1,313	7,125
Net Position at Beginning of Year	18,407	21,958
Restatement	<u>2,238</u>	<u>(2,648)</u>
Net Position at End of Year	<u>\$ 21,958</u>	<u>\$ 26,435</u>

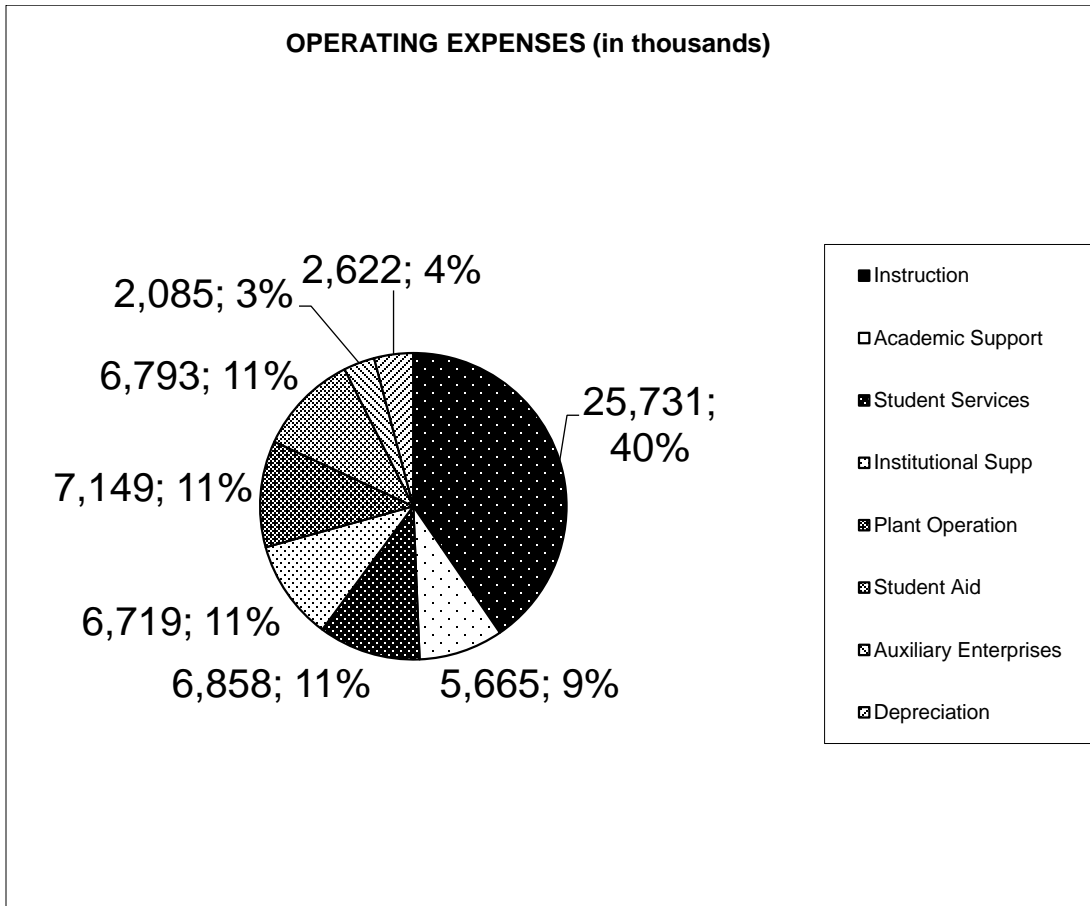
The Statement of Revenues, Expenses, and Changes in Net Position reflects a gain of \$7,125 million. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

OPERATING REVENUE (in thousands)



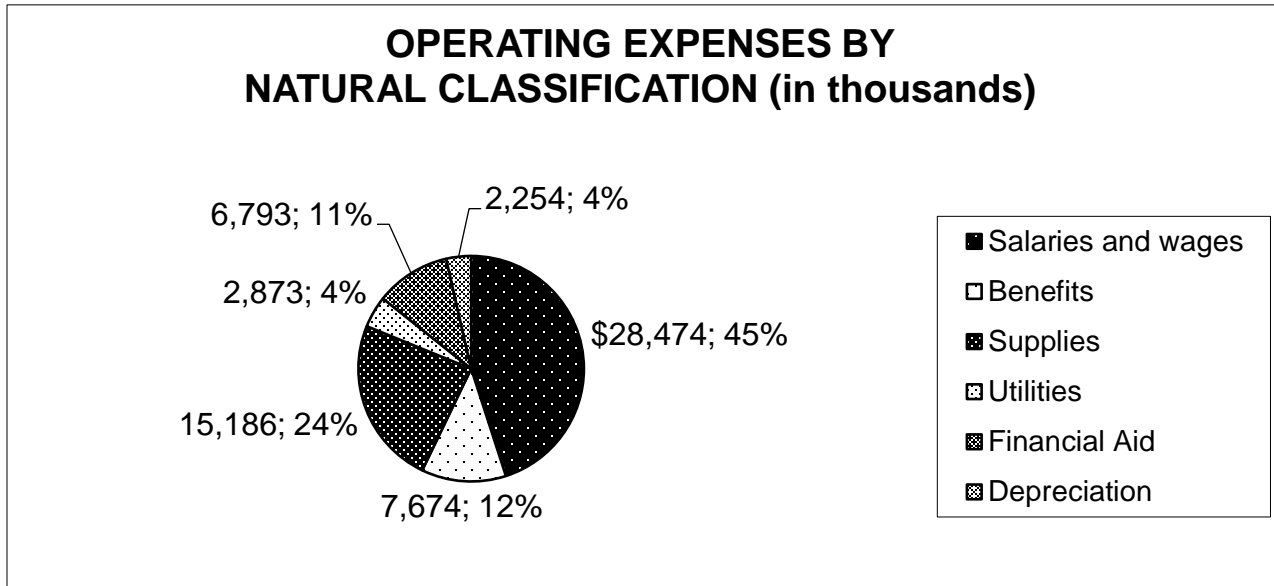
The above chart displays, in thousands of dollars, the operating revenues by type and their relationship with one another. For Fall 2019, tuition and fees charged per credit hour of instruction for in-state students was \$160.00. Student tuition and fees represent the largest portion of the operating revenues.

The \$63.6 million in operating expenses by function (displayed in thousands) are displayed in the following chart.



Although the College’s operating expenses are reported by functional classification, the operating expenses restated by their natural classification is interesting because each function contains each of the natural classification expenses except depreciation that is considered both a functional and natural expense class.

Operating expenses are summarized here by natural classification.



Natural classification displays the type of expense regardless of program. The largest expenditure by natural classification is for salaries and benefits for \$36.15 million. Vendors and supplies represent \$15.19 million in expenditures.

Statement of Cash Flows

The final statement present is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five components. The first component deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third component reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth component deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

The fifth and final component presented in the statement reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows for the Year ended September 30 (thousands of dollars)

	<u>2020</u>
Cash Provided (Used) by:	
Operating Activities	\$(31,569)
Cash Provided by Noncapital Financing	43,370
Capital and Related Financing Activities	(7,407)
Investing Activities	<u>1,400</u>
Net Change in Cash	5,794
Cash – Beginning of Year	<u>28,718</u>
Cash – End of Year	<u>\$ 34,512</u>

The primary cash receipts from operating activities consist of tuition and fees, grants, and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships.

State appropriations are the primary source of noncapital financing. This source of revenue is categorized as noncapital even though the College’s budget depends on this to continue the current level of operations.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include amounts earned on investments and allowed to become a part of the investment.

Economic Outlook

The College is focused on the future, which will include growing and meeting the workforce development, dual enrollment and community needs of all counties in Alabama serviced by Coastal Alabama Community College. The pandemic in 2019-2020 had no significant effect on the financial position or results of operations during the year. Coastal Alabama continues to grow and looks forward to a strong and stable financial future across all seven south Alabama counties currently served.

Basic Financial Statements

Statement of Net Position
September 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 34,512,002.96
Short-Term Investments	273,733.50
Accounts Receivable	16,470,930.18
Inventories	43,751.45
Deposit with Bond Trustee	1,705,821.51
Prepaid Expenses	21,643.21
Total Current Assets	<u>53,027,882.81</u>

Noncurrent Assets

Long-Term Investments	4,890,731.92
Endowment Investment	476,964.02
Real Estate Investment	17,000.00
Capital Assets:	
Land	2,405,754.34
Improvements Other Than Buildings	10,139,563.30
Buildings	91,842,938.46
Equipment and Furniture	12,663,468.67
Construction in Progress	145,319.50
Art Collections	258,287.75
Library Holdings	2,014,058.57
Less: Accumulated Depreciation	<u>(62,488,487.65)</u>
Total Capital Assets, Net of Depreciation	<u>56,980,902.94</u>
Total Noncurrent Assets	<u>62,365,598.88</u>
Total Assets	<u>115,393,481.69</u>

Deferred Outflows of Resources

Pension	6,803,547.67
Other Postemployment Benefit (OPEB)	1,512,462.54
Total Deferred Outflows of Resources	<u>\$ 8,316,010.21</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 6,417,978.39
Deposit Liabilities	2,090,606.36
Unearned Revenue	4,076,732.10
Compensated Absences	236,202.45
Bonds Payable	1,656,957.36
Total Current Liabilities	<u>14,478,476.66</u>

Noncurrent Liabilities

Compensated Absences	944,809.78
Bonds Payable	15,139,307.87
Net Pension Liability	38,107,941.13
Net OPEB Liability	10,917,673.00
Total Noncurrent Liabilities	<u>65,109,731.78</u>

Total Liabilities	<u>79,588,208.44</u>
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Deferred Inflows of Resources

Gain on Bond Refunding	42,583.67
Pension	3,597,196.14
Other Postemployment Benefit (OPEB)	14,046,177.00
Total Deferred Inflows of Resources	<u>17,685,956.81</u>

NET POSITION

Net Investment in Capital Assets	40,142,054.04
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	966,667.34
Other	100,242.65
Expendable:	
Debt Service	1,724,037.43
Unrestricted	<u>(16,497,674.81)</u>
Total Net Position	<u>\$ 26,435,326.65</u>

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***Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2020***

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowance of \$12,624,747.39)	\$ 14,012,311.88
Federal Grants and Contracts	6,602,326.49
State Grants and Contracts	4,531,211.37
Local Grants and Contracts	26,150.80
Nongovernmental Grants and Contracts	7,146.76
Sales and Services of Educational Departments	14,602.21
Auxiliary Enterprises:	
Residential Life (Net of Scholarship Allowance of \$348,189.01)	1,544,017.03
Food Service (Net of Scholarship Allowance of \$228,635.86)	312,664.57
Vending	16,424.24
Other	
Other Operating Revenues	1,042,774.86
Total Operating Revenues	<u>28,109,630.21</u>

OPERATING EXPENSES

Instruction	25,731,026.46
Public Service	396.00
Academic Support	5,665,522.35
Student Services	6,857,595.56
Institutional Support	6,718,893.48
Operation and Maintenance	7,149,139.18
Scholarships and Financial Aid	6,792,929.23
Auxiliary Enterprises	2,084,794.62
Depreciation	2,622,220.02
Total Operating Expenses	<u>63,622,516.90</u>
Operating Income (Loss)	<u>(35,512,886.69)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	29,271,468.04
Local Appropriations	1,250,179.20
Federal Grants	12,609,699.95
Investment Income	165,500.70
Endowment Income	2,334.70
Interest on Indebtedness	(618,715.51)
Other	(42,363.64)
Net Nonoperating Revenues	<u>42,638,103.44</u>
Changes in Net Position	7,125,216.75
Total Net Position - Beginning of Year, as Restated (Note 12)	<u>19,310,109.90</u>
Total Net Position - End of Year	<u><u>\$ 26,435,326.65</u></u>

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

Statement of Cash Flows
For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 9,590,210.60
Grants and Contracts	13,337,000.40
Payments to Suppliers	(9,652,408.59)
Payments for Utilities	(2,873,640.78)
Payments to Employees	(28,838,644.94)
Payments for Benefits	(8,774,967.16)
Payments for Scholarships	(6,792,929.23)
Sales and Services of Educational Activities	14,602.21
Auxiliary Enterprise Charges:	
Residence Halls	1,298,250.57
Food Service	64,583.39
Vending	16,424.24
Other Receipts (Payments)	1,042,774.86
Net Cash Provided (Used) by Operating Activities	<u>(31,568,744.43)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	29,271,468.04
Local Appropriations	1,250,179.20
Federal Grants	12,609,699.95
Federal Direct Student Loan Receipts	10,737,416.00
Federal Direct Student Loan Disbursements	(10,737,416.00)
Bond Surety Fees	(104,051.33)
Deposits	343,100.23
Net Cash Provided (Used) by Noncapital Financing Activities	<u>43,370,396.09</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts	61,687.69
Purchases of Capital Assets	(5,242,243.55)
Principal Paid on Capital Debt	(1,528,000.00)
Interest Paid on Capital Debt	(677,571.94)
Deposits with Trustees	(21,469.02)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (7,407,596.82)</u>

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

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	\$ 6,891,024.91
Investment Income	167,835.40
Purchases of Investments	<u>(5,658,429.44)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,400,430.87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,794,485.71
Cash and Cash Equivalents - Beginning of Year	<u>28,717,517.25</u>
Cash and Cash Equivalents - End of Year	<u><u>34,512,002.96</u></u>

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

Operating Income (Loss)	(35,512,886.69)
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Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense	2,622,220.02
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables	1,195,795.68
(Increase)/Decrease in Inventories	(9,101.81)
(Increase)/Decrease in Other Assets	(18,332.61)
(Increase)/Decrease in Deferred Outflows	(352,756.34)
Increase/(Decrease) in Accounts Payable	4,604,201.27
Increase/(Decrease) in Unearned Revenue	(3,941,579.62)
Increase/(Decrease) in Deposits Held for Others	527,668.71
Increase/(Decrease) in Compensated Absences	32,329.00
Increase/(Decrease) in Net Pension Liability	1,924,000.00
Increase/(Decrease) in Net OPEB Liability	(12,724,644.00)
Increase/(Decrease) in Deferred Inflows	<u>10,084,341.96</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (31,568,744.43)</u></u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

Coastal Alabama Community College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of an 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 which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the Coastal Alabama Community College. In addition, Coastal Alabama Community College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Coastal Alabama Community College is considered for financial reporting purposes to be a component unit of the State of Alabama.

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

1. Deposits and Investments

The College has defined cash to include currency on hand and demand deposits with financial institutions.

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

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

2. Receivables

Accounts receivable relate to amounts due from federal and state grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as food services, bookstore, and residence halls.

3. Inventories

The inventories are comprised of consumable supplies and items held for resale. Inventories are valued at cost. All inventories are valued using the first in/first out (FIFO) method.

Notes to the Financial Statements

For the Year Ended September 30, 2020

4. Capital Assets

Capital assets, other than intangibles, 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 or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

Notes to the Financial Statements
For the Year Ended September 30, 2020

5. Deferred Outflows of Resources

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

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

7. Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the College earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

8. Deferred Inflows of Resources

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

9. Unearned Tuition and Fee Revenue

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

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

12. Net Position

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

◆ **Restricted:**

- ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College’s permanent endowment funds.
- ✓ **Expendable** – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

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

13. Federal Financial Assistance Programs

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

14. 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 College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method to determine the amount of scholarship allowances and discounts.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 2 – Deposits and Investments

A. Deposits

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

The Statement of Net Position classification "cash" includes all readily available cash such as petty cash and demand deposits.

B. Investments

The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries 2) U. S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The College's portfolio shall consist primarily of bank CDs and interest-bearing accounts, U. S. Treasury securities, debentures of a U. S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows: 1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50 percent of the College's total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years. 3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years. 4) The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years. 5) The total portfolio of mortgage related securities shall not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

Endowment donations shall be invested in accordance with the procedures and policies developed by the College and approved by the Chancellor in accordance with the "*Alabama Uniform Prudent Management of Institutional Funds Act*", *Code of Alabama 1975*, Sections 19-3C-1 and following.

The Statement of Net Position investments category consists of \$5,621,773.44 of non-negotiable certificates of deposit which are considered deposits in the context of this disclosure. The certificates of deposits are held by financial institutions in the SAFE Program and are not subject to risk categorization.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Deposits with Trustees

At September 30, 2020, the College had \$1,705,821.51 in accounts administered by its bond trustee. In accordance with the covenants of the College's Revenue Bonds, the trustee is permitted to invest these funds in the direct general obligations of the United States or any securities the payment of which is unconditionally guaranteed by the United States. All instruments purchased are deemed money market instruments as defined in Rule 2a7 and priced at amortized costs.

Deposits with Trustee amounts invested consists of the 2016 Bond Series invested in Invesco Short-Term Investments Trust Fund and the 2009 Bond Series invested in Dreyfus Institutional Treasury and Agency Cash Advantage Fund-Institutional Shares. The funds consist of U. S. Treasury securities and Treasury repurchase agreements and the funds are rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

To the extent available, the College's investments are recorded at fair value as of September 30, 2020. GASB Statement Number 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

Notes to the Financial Statements

For the Year Ended September 30, 2020

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.

Level 3 – Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgement.

Investments by Fair Value Level	09/30/2020	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equities:				
Domestic Common and Preferred Stock	\$ 19,656.00	\$19,656.00	\$	\$
Real Estate	17,000.00		17,000.00	
Total Equity Securities	<u>36,656.00</u>	\$	<u>\$17,000.00</u>	\$
Certificates of Deposit	5,621,773.44			
Money Market Accounts-Bond Funds (*)	1,705,821.51			
Total	<u>\$7,364,250.95</u>			

(*) All instruments purchased are deemed money market instruments as defined in rule 2a7 and priced at amortized cost.

Additional Information for Level 2 Inputs

Real Estate classified in Level 2 is valued based on property tax assessment.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 3 – Receivables

Receivables are summarized as follows:

Accounts Receivable:	
Federal	\$10,645,089.51
State	912,781.46
Tuition and Fees	4,893,706.32
Other	19,352.89
Total Accounts Receivable	\$16,470,930.18

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	\$ 2,328,691.56	\$ 77,062.78	\$	\$	\$ 2,405,754.34
Buildings	88,088,864.91	3,722,977.25		31,096.30	91,842,938.46
Collections	258,287.75				258,287.75
Improvements Other Than Buildings	9,490,772.39	640,179.91		8,611.00	10,139,563.30
Construction in Progress	31,096.30	145,319.50		(31,096.30)	145,319.50
Equipment Greater Than \$25,000	5,421,474.56	299,190.41	175,500.00	79,434.10	5,624,599.07
Equipment Less Than \$25,000	7,408,111.33	307,919.20	191,930.12	(485,230.81)	7,038,869.60
Library Holdings	2,968,902.66	49,594.50	1,144,109.95	139,671.36	2,014,058.57
Total	115,996,201.46	5,242,243.55	1,511,540.07	(257,514.35)	119,469,390.59
Less: Accumulated Depreciation					
Buildings	39,749,459.10	1,516,959.80		2,995,058.95	44,261,477.85
Collections	64,403.38			(64,403.38)	
Improvements Other Than Buildings	6,049,462.29	322,031.27		31,846.25	6,403,339.81
Equipment Greater Than \$25,000	3,909,475.42	329,378.61	175,500.00	56,635.17	4,119,989.20
Equipment Less Than \$25,000	6,495,431.04	399,734.60	191,930.12	(317,319.88)	6,385,915.64
Library Holdings	2,719,416.16	83,761.28	1,144,109.95	(341,302.34)	1,317,765.15
Total Accumulated Depreciation	58,987,647.39	2,651,865.56	1,511,540.07	2,360,514.77	62,488,487.65
Capital Assets, Net	\$ 57,008,554.07	\$2,590,377.99	\$	\$(2,618,029.12)	\$ 56,980,902.94

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) 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, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, 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 creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2020

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were 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, 2020, was 12.43% of annual pay for Tier 1 members and 11.34% 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 College was \$3,022,264.32 for the year ended September 30, 2020.

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

At September 30, 2020, the College reported a liability of \$38,108,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2018. The College'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, 2019, the College's proportion was 0.344656%, which was a decrease of 0.019275% from its proportion measured as of September 30, 2018.

Notes to the Financial Statements
For the Year Ended September 30, 2020

For the year ended September 30, 2020, the College recognized pension expense of \$3,646,000.00. At September 30, 2020, the College 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	\$ 563	\$1,264
Changes of assumptions	1,174	
Net difference between projected and actual earnings on pension plan investments	1,327	
Changes in proportion and differences between employer contributions and proportionate share of contributions	418	2,026
Employer contributions subsequent to the measurement date	3,022	
Total	\$6,504	\$3,290
(Dollar amounts in thousands)		

The \$3,022,000.00 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$(262)
2022	\$(193)
2023	\$ 283
2024	\$ 422
2025	\$ (58)
Thereafter	\$

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25 - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2018, valuation were based on the results of an actual experience study for the period October 1, 2010 through September 30, 2015.

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	
(*) Includes assumed rate of inflation of 2.50%.		

Notes to the Financial Statements
For the Year Ended September 30, 2020

F. Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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.

G. Sensitivity of the College’s Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
College's proportionate share of collective net pension liability	\$51,734	\$38,108	\$26,578
(Dollar Amounts in Thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2019. The auditor’s report dated August 18, 2020, 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, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

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

B. Benefits Provided

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. Contributions

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

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

At September 30, 2020, the College reported a liability of \$10,917,673.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the College's proportion was 0.289381%, which was an increase of 0.001717% from its proportion measured as of September 30, 2018.

Notes to the Financial Statements
For the Year Ended September 30, 2020

For the year ended September 30, 2020, the College recognized OPEB expense of \$(1,119,065.00) with no special funding situations. At September 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 361,494	\$ 8,371,200
Changes of assumptions	521,930	4,522,164
Net difference between projected and actual earnings on OPEB plan investments	22,522	
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,427	1,152,813
Employer contributions subsequent to the measurement date	484,089	
Total	\$1,512,462	\$14,046,177

(Dollar Amounts in Thousands)

The \$484,089.00 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021.

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

Year Ending:	
September 30, 2021	\$(2,760,038)
2022	\$(2,760,038)
2023	\$(2,731,430)
2024	\$(2,210,485)
2025	\$(2,181,206)
Thereafter	\$ (374,607)

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate at the Measurement Date	5.50%
Single Equivalent Interest Rate at the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2018. However, updated Medicare Advantage premium rates which reflect the repeal of the ACS Health Insurer Fee, updated optional claims costs, and updated participation assumptions were used in this report.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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

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

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

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	
(*) Geometric mean, includes 2.5% inflation.		

Notes to the Financial Statements

For the Year Ended September 30, 2020

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2019, was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

G. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in Healthcare Cost Trend Rates

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	\$8,754,010	\$10,917,673	\$13,642,709

Notes to the Financial Statements
For the Year Ended September 30, 2020

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Rate (5.50%)	1% Increase (6.50%)
College's proportionate share of collective net OPEB liability	\$13,196,539	\$10,917,673	\$9,056,592

H. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Significant Commitments

As of September 30, 2020, Coastal Alabama Community College had been awarded approximately \$7,057,094.00 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 and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2020, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 817,906.62
Benefits	156,793.61
Interest Payable	310,821.35
Supplies	5,132,456.81
Total	<u>\$6,417,978.39</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Publicly Sold	\$13,495,000.00	\$	\$ 865,000.00	\$12,630,000.00	\$ 895,000.00
Direct Placement	4,196,000.00		663,000.00	3,533,000.00	680,000.00
Bond Premium	672,633.92		39,373.69	633,260.23	39,373.69
Total Bonds	<u>18,363,633.92</u>		<u>1,567,373.69</u>	<u>16,796,260.23</u>	<u>1,614,373.69</u>
Other Liabilities:					
Compensated Absences	1,148,683.23	32,329.00		1,181,012.23	236,202.45
Total Long-Term Liabilities	<u>\$19,512,317.15</u>	<u>\$32,329.00</u>	<u>\$1,567,373.69</u>	<u>\$17,977,272.46</u>	<u>\$1,850,576.14</u>

Principal and interest maturity requirements on bond debt are as follows:

Fiscal Years	Publicly Sold Bonds		Direct Placement Bonds		Total
	Principal	Interest	Principal	Interest	
2020-2021	\$ 895,000.00	\$ 572,613.75	\$ 680,000.00	\$ 67,053.00	\$ 2,214,666.75
2021-2022	925,000.00	536,365.00	690,000.00	52,668.00	2,204,033.00
2022-2023	970,000.00	497,386.88	705,000.00	38,020.50	2,210,407.38
2023-2024	1,015,000.00	453,612.51	723,000.00	23,026.50	2,214,639.01
2024-2025	1,060,000.00	403,770.63	735,000.00	7,717.50	2,206,488.13
2025-2026	895,000.00	354,946.88			1,249,946.88
2026-2027	940,000.00	307,984.38			1,247,984.38
2027-2028	990,000.00	258,096.88			1,248,096.88
2028-2029	1,040,000.00	205,140.63			1,245,140.63
2029-2030	705,000.00	161,325.00			866,325.00
2030-2031	745,000.00	127,025.00			872,025.00
2031-2032	360,000.00	100,400.00			460,400.00
2032-2033	380,000.00	81,900.00			461,900.00
2033-2034	400,000.00	62,400.00			462,400.00
2034-2035	420,000.00	44,000.00			464,000.00
2035-2036	435,000.00	26,900.00			461,900.00
2036-2037	455,000.00	9,100.00			464,100.00
Totals	<u>\$12,630,000.00</u>	<u>\$4,202,967.54</u>	<u>\$3,533,000.00</u>	<u>\$188,485.50</u>	<u>\$20,554,453.04</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Pledged Revenues

Bonds, Series 2016

The Alabama Community College System Board of Trustees has pledged student tuition fee revenues and special building fee revenues to repay \$6,085,000.00 of Revenue Bonds, Series 2016, issued on November 16, 2016, to construct, renovate and equip certain new and existing improvements on the Bay Minette campus, including renovation and equipping of the existing Advanced Technology Center and Career Technology Center and the construction and equipping of a new Information Technology Center to house the College's information technology department. Future revenues in the amount of \$7,857,525.00 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$23,084,167.40 were received during the fiscal year ended September 30, 2020, with \$463,200.00 or 2% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2036.

Bonds, Series 2015 – Direct Placement Bonds

The State Board of Education of the State of Alabama has pledged student tuition fee revenues and special building fee revenues to repay \$6,673,000.00 of Revenue Bonds, Series 2015 issued on April 13, 2015, to refund the Series 2005 Bonds which were issued to construct a Health Care and Physical Science Laboratory Center on the Fairhope Campus and a 60,000 square-foot residential life and learning facility on the Bay Minette Campus. Future revenues in the amount of \$3,721,485.50 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$23,084,167.40 were received during the fiscal year ended September 30, 2020, with \$744,154.50 or 3% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2024.

The College's outstanding 2015 bonds from direct placement related to governmental activities contain a provision that in an event of default, the Bondholder shall have the right by mandamus or other lawful remedy in any court of competent jurisdiction to enforce his or their rights against the Issuer to fix and collect the Pledged Revenues, in amounts sufficient to meet the provisions of the Bond Resolution and carry out any other covenants contained in the resolution and to perform its duties under the resolution and Section 16-3-28, *Code of Alabama 1975*, as amended.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Bonds, Series 2011

The State Board of Education of the State of Alabama has pledged student tuition fee revenues and facility usage fee revenues to repay \$5,635,000.00 of Revenue Bonds, Series 2011 issued on June 8, 2011, to construct a new Student, Business, and Instructional Services building on its Bay Minette Campus. Future revenues in the amount of \$4,489,956.25 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$23,549,666.23 were received during the fiscal year ended September 30, 2020, with \$409,312.50 or 2% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2030.

Bonds, Series 2009

The State Board of Education of the State of Alabama has pledged student tuition fee revenues to repay \$4,595,000.00 of Revenue Bonds, Series 2009 issued on January 1, 2009, to construct a 2 ½ story, 46,000-square-foot building on the College's Fairhope Campus. Future revenues in the amount of \$3,390,093.79 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$21,836,544.36 were received during the fiscal year ended September 30, 2020, with \$377,412.50 or 2% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2028.

Bonds, Series 2005

The State Board of Education has pledged student tuition and fee revenues to repay \$3,000,000.00 of Revenue Bonds, Series 2005 issued in April 2005, to provide funds for financing capital improvements. Future revenues in the amount of \$1,095,392.50 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$24,965,646.87 were received during the fiscal year ended September 30, 2020, with \$220,909.38 or 1% being used to pay principal and interest payments during this fiscal year. The Series 2005 Bond is scheduled to mature in fiscal year 2024.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Bond Premium

The College has a bond premium in connection with the issuance of its 2016 Series Tuition Revenue Bonds. The bond premium is being amortized using the straight-line method over the life of the bonds.

	Premium
Total Premium	\$787,473.85
Amount Amortized Prior Years	114,839.93
Balance Premium	672,633.92
Current Amount Amortized	39,373.69
Balance Premium	<u>\$633,260.23</u>

Note 10 – Risk Management

The College 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 College 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 College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College's President, Chief Financial Officer, and Director of Financial Aid as well as on all other college 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 College 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 College's coverage in any of the past three fiscal years.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 College.

Note 11 – Related Parties

James H. Faulkner State Community College Foundation, Inc.

The Foundation was incorporated as a non-profit corporation to promote scientific, literacy and educational purposes, the advancement of James H. Faulkner State Community College, and for the encouragement and support of its students and faculty. There were not any material transactions with the James H. Faulkner State Community College Foundation, Inc. This report contains no financial statements of James H. Faulkner State Community College Foundation, Inc.

Jefferson Davis Community College Foundation, Inc.

Jefferson Davis Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of Jefferson Davis Community College, and for the encouragement and support of its students and faculty. There were not any material transactions with the Jefferson Davis Community College Foundation, Inc. This report contains no financial statements of Jefferson Davis Community College Foundation, Inc.

Alabama Southern Community College Foundation, Inc.

Alabama Southern Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purposes, the advancement of Alabama Southern Community College, and for the encouragement and support of its students and faculty. This report contains no financial statements of Alabama Southern Community College Foundation, Inc. There were no material transactions with this related party. This report contains no financial statements of Alabama Southern Community College Foundation, Inc.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 12 – Net Position Restatement

Prior period adjustments have been made as outlined below:

Beginning Net Position at September 30, 2019	\$21,957,784.56
<u>Prior Period Adjustments:</u>	
Corrections to Capital Asset Amounts	(257,514.35)
Accumulated Depreciation Adjustments to Capital Assets	(2,390,160.31)
Total Adjustments	<u>(2,647,674.66)</u>
Net Position October 1, 2019	<u>\$19,310,109.90</u>

Note 13 – Subsequent Events

On November 12, 2020, the College issued Revenue Refunding Bonds, Series 2020 in the amount of \$6,065,000.00 to refund Revenue Bond Series, 2005, 2009, and 2011.

On January 13, 2021, the Alabama Community College System Board of Trustees authorized the College to proceed with construction of a Cafeteria Renovation project on the Bay Minette Campus. The project scope includes the conversion of an existing administration building into a cafeteria. Fiscal consideration of \$4,639,893.00 from Plant Funds Unexpended.

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Required Supplementary Information

Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.344656%	0.363931%	0.370644%	0.360938%	0.361386%	0.362642%
College's proportionate share of the collective net pension liability	\$ 38,108	\$ 36,184	\$ 36,429	\$ 39,075	\$ 37,822	\$ 32,944
College's covered payroll during the measurement period (*)	\$ 26,809	\$ 26,767	\$ 26,232	\$ 24,637	\$ 24,480	\$ 24,613
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	142.15%	135.18%	138.87%	158.60%	154.50%	133.85%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2020, the measurement period for covered payroll is October 1, 2018 - September 30, 2019.

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

Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,022	\$ 2,996	\$ 2,922	\$ 2,889	\$ 2,672	\$ 2,584
Contributions in relation to the contractually required contribution	\$ 3,022	\$ 2,996	\$ 2,922	\$ 2,889	\$ 2,672	\$ 2,584
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
College's covered payroll	\$ 24,834	\$ 26,809	\$ 26,767	\$ 26,232	\$ 24,637	\$ 24,480
Contributions as a percentage of employee payroll	12.17%	11.18%	10.92%	11.01%	10.85%	10.56%

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2020, the covered payroll is for the reporting fiscal year October 1, 2019 - September 30, 2020.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the College's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the College's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018
College's proportion of the collective net OPEB liability	0.289381%	0.287664%	0.294657%
College's proportionate share of the collective net OPEB liability (asset)	\$ 10,918	\$ 23,642	\$ 21,885
College's covered-employee payroll during the measurement period (*)	\$ 26,809	\$ 26,767	\$ 26,232
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	40.73%	88.33%	83.43%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2020 year is October 1, 2018 - September 30, 2019.

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

Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2020
(Dollar amounts in thousands)

	2020	2019	2018
Contractually required contribution	\$ 484	\$ 823	\$ 707
Contributions in relation to the contractually required contribution	\$ 484	\$ 823	\$ 707
Contribution deficiency (excess)	\$	\$	\$
College's covered-employee payroll	\$ 24,834	\$ 26,809	\$ 26,767
Contributions as a percentage of covered-employee payroll	1.95%	3.07%	2.64%

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

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020***

Changes in Actuarial Assumptions

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Recent Plan Changes

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

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

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

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020***

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2019 is determined based on the actuarial valuation as of September 30, 2016. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>Student Financial Assistance Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 250,745.00
Federal Work-Study Program	84.033			154,021.50
Federal Pell Grant Program	84.063			12,204,897.95
Federal Direct Student Loans	84.268			9,350,703.53
Total Student Financial Assistance Cluster				<u>21,960,367.98</u>
<u>Research and Development Cluster</u>				
<u>National Science Foundation</u>				
<u>Direct Program</u>				
Education and Human Resources	47.076			163,608.03
<u>Passed Through University of West Alabama</u>				
Education and Human Resources	47.076	1852795		6,935.91
Total Education and Human Resources				<u>170,543.94</u>
<u>TRIO Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
TRIO - Student Support Services	84.042			943,170.61
TRIO - Talent Search	84.044			651,372.86
TRIO - Upward Bound	84.047			974,766.01
Total TRIO Cluster				<u>2,569,309.48</u>
<u>WIOA Cluster</u>				
<u>U. S. Department of Labor</u>				
<u>Passed Through Alabama Department of Commerce</u>				
WIOA Adult Program	17.258	N.A.		8,683.66
WIOA Dislocated Worker Formula Grants	17.278	N.A.		22,196.45
<u>Passed Through Southwest Alabama Partnership for Training and Employment, Inc. (SWAPTE)</u>				
WIOA Youth Activities	17.259	04707476		17,275.13
WIOA Youth Activities	17.259	94707476		58,708.27
Total WIOA Cluster				<u>\$ 106,863.51</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Commerce</u>				
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>				
Coastal Zone Management Administration Awards	11.419	CACC-CZM-306-19-1		\$ 5,000.00
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			2,217,726.00
HEERF Institutional Portion	84.425F			669,560.71
Total Higher Education Emergency Relief Fund (HEERF)				<u>2,887,286.71</u>
<u>Passed Through Alabama Community College System</u>				
Adult Education - Basic Grants to States	84.002	0920AE097		468,253.13
<u>Passed Through Alabama State Department of Education</u>				
Career and Technical Education - Basic Grants to States	84.048	V048A190001		209,546.96
<u>Delta Regional Authority</u>				
<u>Passed Through Alabama - Tombigbee Regional Commission</u>				
Delta Area Economic Development	90.201	AL-54100		<u>218,296.00</u>
Total Expenditures of Federal Awards				<u>\$ 28,595,467.71</u>

N.A. - Not Available or Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2020***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Coastal Alabama Community College, under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Coastal Alabama Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Coastal Alabama Community College.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Coastal Alabama Community College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the *Uniform Guidance*.

Additional Information

College Members
October 1, 2019 through September 30, 2020

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Warren Craig Pouncey	President
Jessica Davis	Chief Financial Officer

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Warren Craig Pouncey – Coastal Alabama Community College
Bay Minette, Alabama 36507

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of Coastal Alabama Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Coastal Alabama Community College's basic financial statements and have issued our report thereon dated July 2, 2021.

Internal Control Over Financial Reporting

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

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

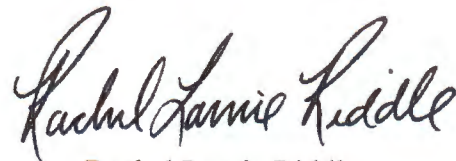
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

July 2, 2021

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Warren Craig Pouncey, President – Coastal Alabama Community College
Bay Minette, Alabama 36507

Report on Compliance for Each Major Federal Program

We have audited Coastal Alabama Community College's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of Coastal Alabama Community College's major federal programs for the year ended September 30, 2020. Coastal Alabama Community College's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, Coastal Alabama Community College 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, 2020.

Report on Internal Control Over Compliance

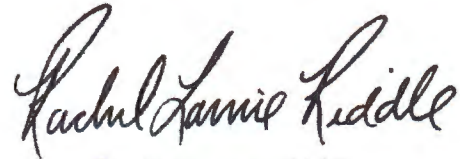
Management of Coastal Alabama Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Coastal Alabama Community College's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

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

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

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

July 2, 2021

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.