Report on the

Coastal Alabama Community College

Bay Minette, Alabama

October 1, 2020 through September 30, 2021

Filed: June 24, 2022

Department of
Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner

22-290

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Rachel Laurie Riddle
Chief Examiner

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, 2020 through September 30, 2021. 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,

Misty C. Medders

Misty Medders
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

Coastal Alabama Community College
October 1, 2020 through September 30, 2021

Coastal Alabama Community College (the "College") is located in Bay Minette, Alabama with campuses in Fairhope, Mobile, Brewton, Atmore, Monroeville, Thomasville, Gilbertown, 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, 2021.

AUDIT FINDINGS

Instances of noncompliance relative to federal financial assistance programs were found (Exhibit 12) and they are summarized below.

- 2021-001: An employee, responsible for the purchase of food cards for Upward Bound Student participants, failed to provide receipts for $4,250.00.

- 2021-002: The College failed to report $4,188,745.97 of lost revenues claimed from the COVID-19 - Higher Education Emergency Relief Fund and failed to submit quarterly reports in a timely manner.

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, Associate Director of Financial Services/Special Projects and Jimmy Baker, Chancellor of the Alabama Community College System. The following individuals attended the exit conference: Dr. Warren Craig Pouncey, President and Jessica Davis, Associate Director of Financial Services/Special Projects represented the College. Representing the Alabama Community College System by videoconference were Sara Calhoun, Chief Financial Officer; Donna Boutwell, Director of Compliance; Julia Dennis, Financial Compliance Accountant; and Erica Doody, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts were Mary Ann DuBose, Audit Manager (by videoconference) and Misty Medders, Examiner.

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, 2021, 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.

<u>Opinion</u>

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, 2021, 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.

<u>Other Matters</u>

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 June 9, 2022, 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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 9, 2022

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, deferred outflows, liabilities, deferred inflows 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 and Deferred Outflows minus Liabilities and Deferred Inflows).

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 investment 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)

	2020	2021
Assets:		
Current assets	$ 53,028	$ 57,822
Capital assets, net	56,980	59,073
Other Noncurrent Assets	5,385	5,445
Total Assets	**115,393**	**122,340**
Deferred Outflows	**8,316**	**16,562**
Liabilities		
Current liabilities	14,478	16,048
Noncurrent liabilities	65,110	74,825
Total Liabilities	**79,588**	**90,873**
Deferred Inflows	**17,686**	**15,028**
Net Position		
Net Investment in Capital Assets	40,142	29,358
Restricted - Nonexpendable	1,067	1,066
Restricted - Expendable	1,724	886
Unrestricted	(16,498)	1,691
Total Net Postion	**$ 26,435**	**$ 33,001**

The $122 million in assets includes cash and cash equivalents of $41.7 million and investments of $5.7 million. A review of the Statement of Net Position also reveals accounts receivable of $14.6 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 $90.9 million include long-term debt of $15.5 million, compensated absences of $1.2 million and Net pension/OPEB liabilities of $59.3 million as of the end of the 2021 fiscal year. Also included in the liabilities is unearned revenue of $7.1 million. The assets less liabilities result in net position of $33 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.

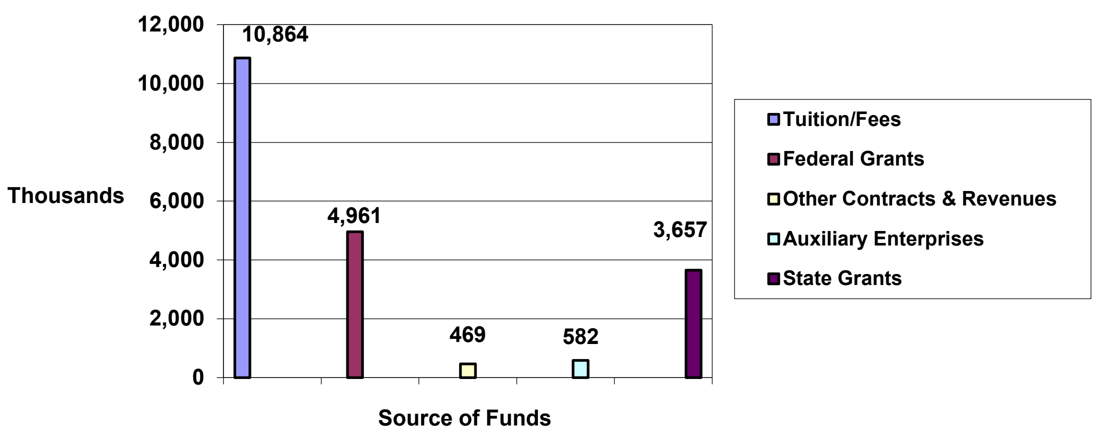
Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. 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)

	2020	2021
Operating revenues	28,110	20,533
Operating expenses	63,623	76,283
Operating loss	(35,513)	(55,750)
Nonoperating revenues and expenses	42,638	62,240
Income (loss) before other revenues, expenses, gains or losses	7,125	6,490
Other revenues, expenses, gains or losses	-	-
Increase in net position	**7,125**	**6,490**
Net Position at beginning of year	21,958	26,435
Restatement	(2,648)	76
Net position at end of year	**26,435**	**33,001**

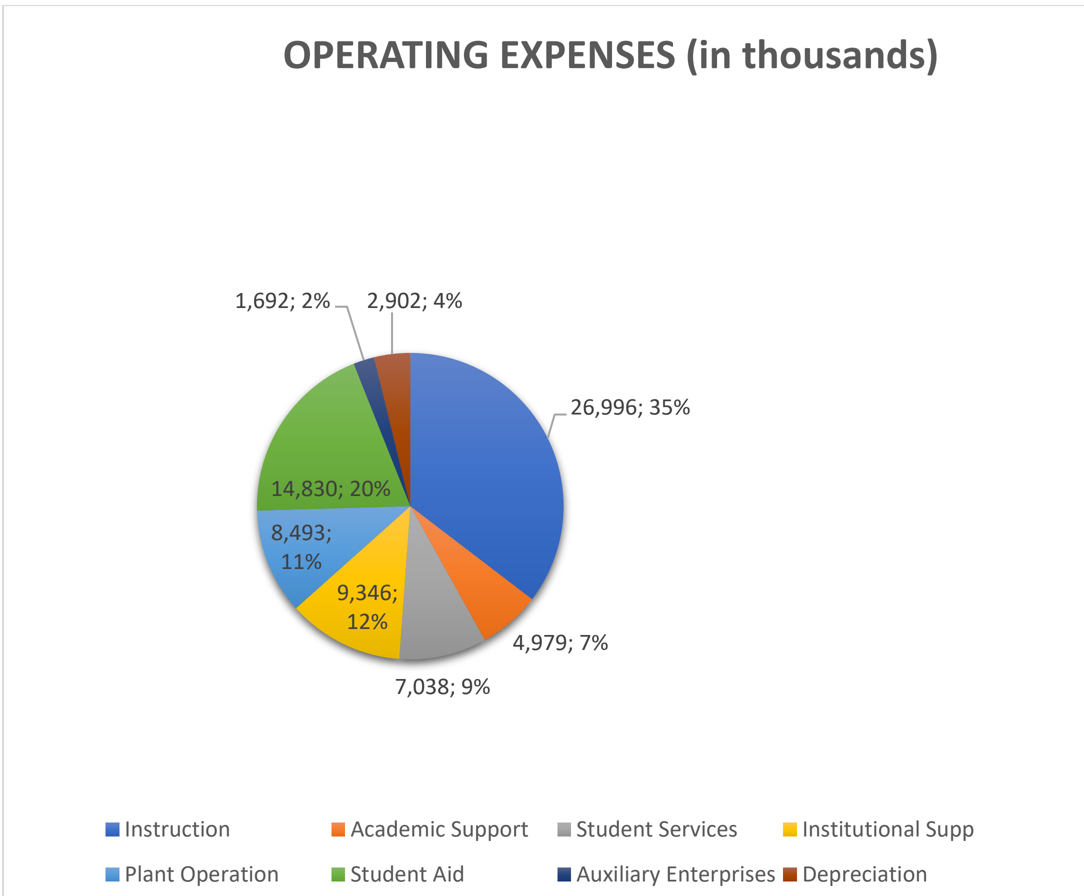
The Statement of Revenues, Expenses, and Changes in Net Position reflects a gain of $6.4 million gain in net position, after the implementation of GASB 68 standard and the assumption of the unfunded portion of net pension liability in 2018 and GASB 74 the assumption of the OPEB unfunded liability for financial statements for fiscal year 2018. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

OPERATING REVENUE (in thousands)



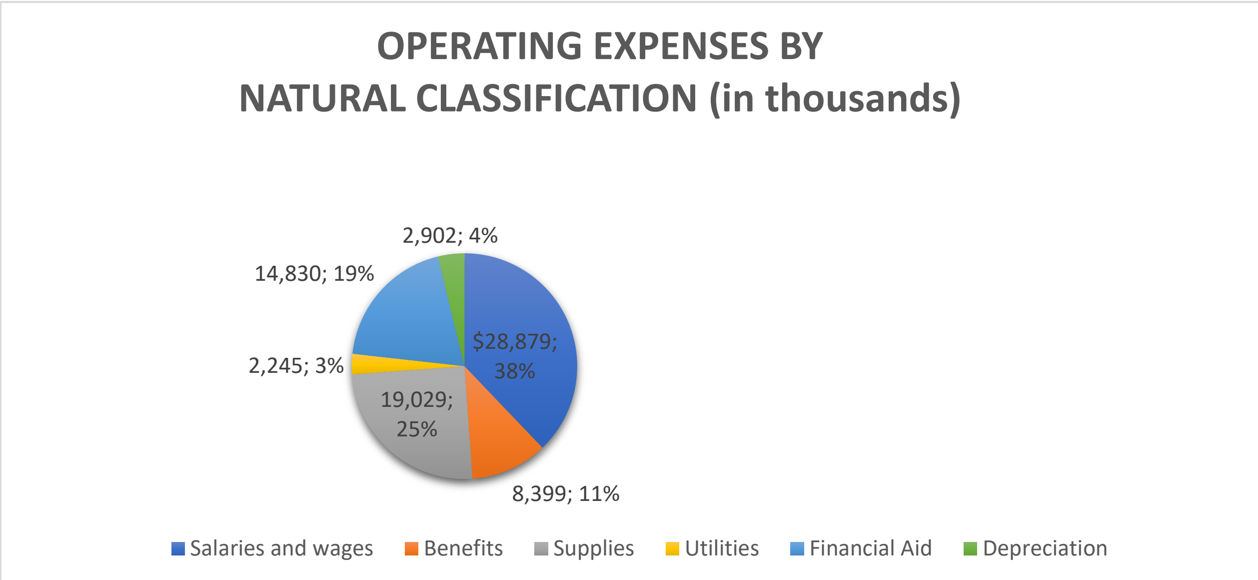
The above chart displays, in millions of dollars, the operating revenues by type and their relationship with one another. For Fall 2020, tuition and fees charged per credit hour of instruction for in-state students was $163.00. Student tuition and fees represent the largest portion of the operating revenues at $10.9 million or 53% of operating revenues.

The $76.2 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 for $28.9 million. Vendors and supplies represented $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)

	2021
Cash provided (used) by:	
Operating activities	$(49,981)
Cash provided by Noncapital Financing	63,380
Capital and Related Financing Activities	(6,231)
Investing Activities	21
Net change in cash	**7,189**
Cash, beginning of year	34,512
Cash, end of year	**$41,701**

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 2020-2021 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.

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Basic Financial Statements

Statement of Net Position
September 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 41,700,884.83
Short-Term Investments	274,548.78
Accounts Receivable	14,595,468.44
Inventories	44,849.38
Deposit with Bond Trustee	1,150,632.41
Prepaid Expenses	55,916.65
Total Current Assets	57,822,300.49
Noncurrent Assets	
Long-Term Investments	4,970,793.32
Endowment Investment	457,641.06
Real Estate Investment	17,000.00
Capital Assets:	
Land	2,405,754.34
Improvements Other Than Buildings	11,279,764.81
Building and Building Alterations	91,894,582.24
Equipment and Furniture	13,140,626.25
Construction in Progress	2,811,330.52
Art Collections	258,287.75
Library Holdings	1,934,282.51
Less: Accumulated Depreciation	(64,652,014.95)
Total Capital Assets, Net of Depreciation	59,072,613.47
Total Noncurrent Assets	64,518,047.85
Total Assets	122,340,348.34
DEFERRED OUTFLOWS OF RESOURCES	
Pension	9,972,476.65
Other Postemployment Benefit (OPEB)	6,528,583.53
Other Deferred Outflow	61,118.63
Total Deferred Outflows of Resources	$ 16,562,178.81

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

LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 5,460,674.32
Deposit Liabilities	2,268,407.64
Unearned Revenue	7,052,131.72
Compensated Absences	215,534.96
Bonds Payable	1,051,019.14
Total Current Liabilities	16,047,767.78
Noncurrent Liabilities	
Compensated Absences	1,052,317.72
Bonds Payable	14,477,206.44
Net Pension Liability	43,338,941.13
Net OPEB Liability	15,956,686.00
Total Noncurrent Liabilities	74,825,151.29
Total Liabilities	90,872,919.07
DEFERRED INFLOWS OF RESOURCES	
Gain on Bond Refunding	33,120.64
Pension	2,553,196.14
Other Postemployment Benefit (OPEB)	12,442,141.00
Total Deferred Inflows of Resources	15,028,457.78
NET POSITION	
Net Investment in Capital Assets	29,358,267.25
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	966,364.64
Other	99,057.17
Expendable:	
Debt Service	886,064.07
Unrestricted	1,691,397.17
Total Net Position	$ 33,001,150.30

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2021

OPERATING REVENUES	
Student Tuition and Fees (Net of Scholarship Allowance of $13,027,903.33)	$ 10,863,591.71
Federal Grants and Contracts	4,961,342.03
State Grants and Contracts	3,656,998.11
Local Grants and Contracts	44,288.24
Auxiliary Enterprises:	
Residential Life (Net of Scholarship Allowance of $774,852.46)	394,972.85
Food Service (Net of Scholarship Allowance of $481,052.58)	166,844.85
Vending	12,750.88
Bookstore	6,986.22
Other Operating Revenues	424,916.26
Total Operating Revenues	20,532,691.15
OPERATING EXPENSES	
Instruction	26,996,056.33
Public Service	7,277.49
Academic Support	4,979,165.89
Student Services	7,038,355.36
Institutional Support	9,345,606.79
Operation and Maintenance	8,492,850.52
Scholarships and Financial Aid	14,830,327.09
Auxiliary Enterprises	1,691,895.31
Depreciation	2,901,616.07
Total Operating Expenses	76,283,150.85
Operating Income (Loss)	(55,750,459.70)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	29,421,999.04
Local Appropriations	2,399,755.56
Federal Grants	30,064,246.68
Gifts	2,000.00
Investment Income	82,916.95
Sale of Property	53,205.00
Interest on Indebtedness	(407,188.95)
Other	623,505.15
Net Nonoperating Revenues	62,240,439.43
Changes in Net Position	6,489,979.73
Total Net Position - Beginning of Year, as Restated (Note 12)	26,511,170.57
Total Net Position - End of Year	$ 33,001,150.30

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

Statement of Cash Flows
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 13,466,278.29
Grants and Contracts	10,829,917.83
Payments to Suppliers	(20,758,816.13)
Payments for Utilities	(2,244,912.03)
Payments to Employees	(28,619,921.01)
Payments for Benefits	(8,910,426.77)
Payments for Scholarships	(14,830,327.09)
Auxiliary Enterprise Charges:	
Residence Halls	425,984.62
Food Service	217,283.57
Vending	12,750.88
Bookstore	6,986.22
Other Receipts (Payments)	424,351.10
Net Cash Provided (Used) by Operating Activities	(49,980,850.52)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	29,421,999.04
Local Appropriations	2,399,755.56
Federal Grants	30,064,246.68
Federal Direct Student Loan Receipts	9,508,448.86
Federal Direct Student Loan Disbursements	(9,508,448.86)
Bond Surety Fees	(139,532.98)
Deposits	676,744.92
Gifts and Grants	2,000.00
Other	954,569.21
Net Cash Provided (Used) by Noncapital Financing Activities	63,379,782.43
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds From Capital Debt	6,882,998.75
Purchases of Capital Assets	(5,109,013.76)
Proceeds From Sales of Assets	53,205.00
Principal Paid on Capital Debt	(8,075,000.00)
Interest Paid on Capital Debt	(538,792.35)
Deposits with Trustees	555,189.10
Net Cash Provided (Used) by Capital and Related Financing Activities	$ (6,231,413.26)

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	$ 5,658,429.44
Investment Income	82,916.95
Purchases of Investments	(5,719,983.16)
Net Cash Provided (Used) by Investing Activities	21,363.23
Net Increase (Decrease) in Cash and Cash Equivalents	7,188,881.88
Cash and Cash Equivalents - Beginning of Year	34,512,002.96
Cash and Cash Equivalents - End of Year	41,700,884.83
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(55,750,459.70)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	2,901,616.07
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables	1,875,461.74
(Increase)/Decrease in Inventories	(1,097.93)
(Increase)/Decrease in Other Assets	(34,273.44)
(Increase)/Decrease in Deferred Outflows	(8,246,168.60)
Increase/(Decrease) in Accounts Payable	(901,739.06)
Increase/(Decrease) in Unearned Revenue	2,975,399.62
Increase/(Decrease) in Deposits Held for Others	(498,943.64)
Increase/(Decrease) in Compensated Absences	86,840.45
Increase/(Decrease) in Net Pension Liability	5,231,000.00
Increase/(Decrease) in Net OPEB Liability	5,039,013.00
Increase/(Decrease) in Deferred Inflows	(2,657,499.03)
Net Cash Provided (Used) by Operating Activities	$ (49,980,850.52)

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.

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. Cash, Cash Equivalents, and Investments

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

Statutes authorize the 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. 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.

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	Straight-Line	50 years
Building Alterations	Straight-Line	25 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

4. Deferred Outflows of Resources

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

5. Long-Term Obligations

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

6. 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.

7. Deferred Inflows of Resources

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

8. Unearned Tuition and Fee Revenue

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

9. Pensions

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

10. 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.

11. Net Position

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

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

- ***Restricted:***

  - ✓ ***Nonexpendable*** – Net position subject to externally imposed stipulations that they be maintained permanently by the 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.

12. 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*).

13. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the 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 as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

14. Change in Accounting Estimates

Beginning October 1, 2020, the accounting estimated useful lives for Equipment and Building Alterations have been updated. The change in accounting estimates include the move from the composite method to straight-line depreciation for Equipment and Improvements Other Than Buildings. Additionally, there is an addition of a Building Alterations assets class.

Several factors lead to the accounting estimated changes. The composite method is an antiquated calculation standard developed before software had the capability of individually tracking capital assets. (The composite method will be retained for library books, as there is not a reasonable alternative method for these purchases and most of the colleges are purchasing library books at a non-material rate). The accounting software utilized by the Alabama Community College System calculates depreciation on a straight-line basis.

The establishment of a Building Alterations Asset Class is necessary to separately account for the building alterations, so that records of renovations and improvements can be identified and calculated by project, with a 25-year estimate of the life for qualifying projects.

The change in estimate resulted in an increase to depreciation and a decrease to Net Investment in Plant in the amount of $777,540.37.

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.

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 $5,681,295.16 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.

Deposits with Trustees

At September 30, 2021, the College had $1,150,632.41 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. 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, 2021. 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.

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	09/30/2021	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	$ 21,688.00	$21,688.00	$	$
Real Estate	17,000.00		17,000.00	
Total Equity Securities	36,656.00	$21,688.00	$17,000.00	$
Certificates of Deposit	5,681,295.16			
Money Market Accounts-Bond Funds (*)	1,150,632.41			
Total	$6,870,615.57			

(*) 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.

Note 3 – Receivables

Receivables are summarized as follows:

Accounts Receivable:	
Federal	$ 9,424,603.55
State	1,252,177.33
Tuition and Fees	3,918,122.40
Other	565.16
Total Accounts Receivable	$14,595,468.44

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	$ 2,405,754.34	$	$	$	$ 2,405,754.34
Buildings	91,842,938.46			(10,945,433.04)	80,897,505.42
Building Alterations		51,643.78		10,945,433.04	10,997,076.82
Collections	258,287.75				258,287.75
Improvements Other Than Buildings	10,139,563.30	1,140,201.51			11,279,764.81
Construction in Progress	145,319.50	2,666,011.02			2,811,330.52
Equipment Greater Than $25,000	5,624,599.07	518,093.76	426,949.25		5,715,743.58
Equipment Less Than $25,000	7,038,869.60	678,928.65	292,893.33	(22.25)	7,424,882.67
Library Holdings	2,014,058.57	54,135.04	133,911.10		1,934,282.51
Total	119,469,390.59	5,109,013.76	853,753.68	(22.25)	123,724,628.42
Less: Accumulated Depreciation					
Buildings	44,261,477.85	1,266,283.78		(853,406.53)	44,674,355.10
Building Alterations		463,885.32		777,540.37	1,241,425.69
Improvements Other Than Buildings	6,403,339.81	334,937.33			6,738,277.14
Equipment Greater Than $25,000	4,119,989.20	326,733.11	364,006.48		4,082,715.83
Equipment Less Than $25,000	6,385,915.64	455,452.88	270,594.58		6,570,773.94
Library Holdings	1,317,765.15	54,323.64	27,621.54		1,344,467.25
Total Accumulated Depreciation	62,488,487.65	2,901,616.06	662,222.60	(75,866.16)	64,652,014.95
Capital Assets, Net	$ 56,980,902.94	$2,207,397.70	$191,531.08	$ 75,843.91	$ 59,072,613.47

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 30th are paid to a qualified beneficiary.

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, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% 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 $3,147,928.98 for the year ended September 30, 2021.

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

At September 30, 2021, the College reported a liability of $43,339,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the College's proportion was 0.350365%, which was an increase of 0.005709% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2020, the College recognized pension expense of $4,191,000.00. At September 30, 2021, 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	$2,145	$ 752
Changes of assumptions	451	
Net difference between projected and actual earnings on pension plan investments	3,219	
Changes in proportion and differences between employer contributions and proportionate share of contributions	710	1,494
Employer contributions subsequent to the measurement date	3,147	
Total	$9,672	$2,246

(Dollar amounts in thousands)

The $3,147,000.00 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 ended September 30, 2022. 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, 2022	$ 758
2023	$1,244
2024	$1,384
2025	$ 893
2026	$ 0
Thereafter	$ 0

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2019, 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, 2019, 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%.

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	$57,823	$43,339	$31,084
(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, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, 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, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

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 Annual Comprehensive 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.

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).

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.

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, 2021, the College reported a liability of $15,956,686.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the College's proportion was 0.245871%, which was a decrease of 0.043510% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the College recognized OPEB expense of $(1,126,734.00) with no special funding situations. At September 30, 2021, 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	$ 404,650	$ 5,736,811
Changes of assumptions	5,573,545	2,963,011
Net difference between projected and actual earnings on OPEB plan investments		673
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,748	3,741,646
Employer contributions subsequent to the measurement date	454,410	
Total	$6,531,353	$12,442,441

The $454,410.00 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 ended September 30, 2022.

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, 2022	$(1,949,945)
2023	$(1,925,638)
2024	$(1,455,658)
2025	$(1,411,287)
2026	$ 130,726
Thereafter	$ 246,604

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, 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	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
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, 2019.

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

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

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

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

(*) Geometric mean, includes 2.5% inflation.

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. 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, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, 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 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, 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	$12,613,812	$15,956,686	$20,307,971

H. Sensitivity of the College's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.05%, 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 (2.05%)	Current Rate (3.05%)	1% Increase (4.05%)
College's proportionate share of collective net OPEB liability	$19,571,703	$15,956,686	$13,085,579

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, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Significant Commitments

As of September 30, 2021, Coastal Alabama Community College had been awarded approximately $15,998,943 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, 2021, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	$1,076,962.20
Benefits	191,922.74
Interest Payable	255,256.34
Supplies	3,936,533.04
Total	$5,460,674.32

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Publicly Sold	$12,630,000.00	$ 6,065,000	$7,395,000.00	$11,300,000.00	$ 225,000.00
Direct Placement	3,533,000.00		680,000.00	2,853,000.00	690,000.00
Bond Premium	633,260.23	817,998.75	76,038.39	1,375,225.59	136,019.14
Total Bonds	16,796,260.23	6,882,998.75	8,151,038.39	15,528,225.59	1,051,019.14
Other Liabilities:					
Compensated Absences	1,181,012.23	86,840.45		1,267,852.68	215,534.96
Total Long-Term Liabilities	$17,977,272.46	$6,969,839.20	$8,151,038.39	$16,796,078.27	$1,266,554.10

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

	Publicly Sold Bonds		Direct Placement Bonds		
Fiscal Years	Principal	Interest	Principal	Interest	Total
2021-2022	$ 225,000.00	$ 447,225.00	$ 690,000.00	$ 52,668.00	$ 1,414,893.00
2022-2023	530,000.00	437,375.00	705,000.00	38,020.50	1,710,395.50
2023-2024	545,000.00	420,275.00	723,000.00	23,026.50	1,711,301.50
2024-2025	570,000.00	398,550.00	735,000.00	7,717.50	1,711,267.50
2025-2026	840,000.00	372,150.00			1,212,150.00
2026-2027	875,000.00	337,950.00			1,212,950.00
2027-2028	910,000.00	299,375.00			1,209,375.00
2028-2029	950,000.00	259,150.00			1,209,150.00
2029-2030	995,000.00	217,075.00			1,212,075.00
2030-2031	1,040,000.00	173,025.00			1,213,025.00
2031-2032	575,000.00	138,275.00			713,275.00
2032-2033	595,000.00	113,325.00			708,325.00
2033-2034	625,000.00	87,225.00			712,225.00
2034-2035	650,000.00	62,000.00			712,000.00
2035-2036	675,000.00	37,850.00			712,850.00
2036-2037	700,000.00	12,775.00			712,775.00
Totals	$11,300,000.00	$3,813,600.00	$2,853,000.00	$121,432.50	$18,088,032.50

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 $7,394,775.00 are pledged to repay principal and interest on the bonds at September 30, 2021. Pledged revenues in the amount of $19,992,762.92 were received during the fiscal year ended September 30, 2021, with $459,450.00 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 $2,974,432.50 are pledged to repay principal and interest on the bonds at September 30, 2021. Pledged revenues in the amount of $19,992,762.92 were received during the fiscal year ended September 30, 2021, with $739,913.00 or 4% 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.

Bonds, Series 2020

The State Board of Education of the State of Alabama has pledged student tuition fee revenues and facility usage fee revenues to repay $6,065,000.00 of Revenue Bonds, Series 2020 issued on November 12, 2020, to refund the Alabama Southern Community College 2005 Revenue Bonds, Faulkner State Community College 2009 and 2011 Revenue Bonds. Future revenues in the amount of $7,718,825.00 are pledged to repay principal and interest on the bonds at September 30, 2021. Pledged revenues in the amount of $19,992,762.92 were received during the fiscal year ended September 30, 2021, with $105,574.84 or 1% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2037.

Defeased Debt

On November 12, 2020, the College issued $6,065,000 in revenue bonds with 2% to 4% interest rate to refund the Alabama Southern Community College 2005 Revenue Bonds, Faulkner State Community College 2009 and 2011 Revenue Bonds. The Revenue Bonds were outstanding in the amounts of $985,000, $2,390,000, and $3,305,000, respectively. The net proceeds of the 2020 Revenue Bonds, after payment of issuance costs, totaled $6,747,344. The proceeds from the new bond were placed with an escrow agent to provide for the redemption of the Revenue Bonds on December 12, 2020. The bonds were redeemed in an amount equal to 100% of the outstanding principal amount of the bonds plus accrued interest. As a result, the 2005, 2009, and 2011 Series Bonds were considered to be defeased. The related liabilities have been removed.

The current refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. However, due to the refunding, the College reduced its total debt service requirements by $529,390 which resulted in an economic gain of $878,747.

Bond Premium

The College has a bond premium in connection with the issuance of its 2016 Series Tuition Revenue Bonds and 2020 Refunding Bonds. The bond premium for the 2016 bonds is being amortized using the straight-line method over the life of the bonds. The bond premium for the 2020 is being amortized using the effective interest method over the life of the bonds.

	Premium
Total Premium	$1,605,472.60
Amount Amortized Prior Years	154,208.62
Balance Premium	1,451,263.98
Current Amount Amortized	76,038.39
Balance Premium	$1,375,225.59

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.

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.

Note 12 – Net Position Restatement

Prior period adjustments have been made as outlined below:

Beginning Net Position at September 30, 2020	$26,435,326.65
Prior Period Adjustments	
Corrections to Capital Asset Amounts	75,843.92
Net Position October 1, 2020	$26,511,170.57

Required Supplementary Information

Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
College's proportion of the collective net pension liability	0.350365%	0.344656%	0.363931%	0.370644%	0.360938%	0.361386%	0.362642%
College's proportionate share of the collective net pension liability	$ 43,339	$ 38,108	$ 36,184	$ 36,429	$ 39,075	$ 37,822	$ 32,944
College's covered payroll during the measurement period (*)	$ 24,834	$ 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	174.51%	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	67.72%	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 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

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, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,147	$ 3,022	$ 2,996	$ 2,922	$ 2,889	$ 2,672	$ 2,584
Contributions in relation to the contractually required contribution	$ 3,147	$ 3,022	$ 2,996	$ 2,922	$ 2,889	$ 2,672	$ 2,584
Contribution deficiency (excess)	$	$	$	$	$	$	$
College's covered payroll	$ 26,173	$ 24,834	$ 26,809	$ 26,767	$ 26,232	$ 24,637	$ 24,480
Contributions as a percentage of covered payroll	12.02%	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 2021, the covered payroll is for the reporting fiscal year October 1, 2020 - September 30, 2021.

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, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
College's proportion of the collective net OPEB liability	0.245871%	0.289381%	0.287664%	0.294657%
College's proportionate share of the collective net OPEB liability (asset)	$ 15,957	$ 10,918	$ 23,642	$ 21,885
College's covered-employee payroll during the measurement period (*)	$ 24,834	$ 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	64.25%	40.73%	88.33%	83.43%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered-employee 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, 2021 year is October 1, 2019 - September 30, 2020.

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, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	$ 454	$ 484	$ 823	$ 707
Contributions in relation to the contractually required contribution	$ 454	$ 484	$ 823	$ 707
Contribution deficiency (excess)	$	$	$	$
College's covered-employee payroll	$ 25,060	$ 24,834	$ 26,809	$ 26,767
Contributions as a percentage of covered-employee payroll	1.81%	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.

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, 2021

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, 2020, is determined based on the actuarial valuation as of September 30, 2017. 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	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

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Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster				
U. S. Department of Education				
Direct Programs				
Federal Supplemental Educational Opportunity Grants	84.007			$ 211,649.00
Federal Work-Study Program	84.033			208,663.75
Federal Pell Grant Program	84.063			11,305,308.31
Federal Direct Student Loans	84.268			9,508,448.86
Total Student Financial Assistance Cluster				21,234,069.92
Research and Development Cluster				
National Science Foundation				
Direct Program				
Education and Human Resources	47.076			136,512.55
Passed Through University of West Alabama				
Education and Human Resources	47.076	1852795		7,249.94
Total Research and Development Cluster				143,762.49
TRIO Cluster				
U. S. Department of Education				
Direct Programs				
TRIO - Student Support Services	84.042			986,705.91
TRIO - Talent Search	84.044			582,412.26
TRIO - Upward Bound	84.047			1,095,282.67
Total TRIO Cluster				2,664,400.84
WIOA Cluster				
U. S. Department of Labor				
Passed Through Alabama Department of Commerce				
WIOA Adult Program	17.258	N.A.		16,130.34
WIOA Youth Activities	17.259	N.A.		5,964.00
COVID-19 WIOA Dislocated Worker Formula Grants	17.278	N.A.		1,944.00
Passed Through Southwest Alabama Partnership for Training and Employment, Inc. (SWAPTE)				
WIOA Youth Activities	17.259	04707476		66,564.56
Total WIOA Cluster				$ 90,602.90

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
U. S. Department of Agriculture				
Passed Through University of West Alabama				
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	2021-70001-34527		$ 1,613.79
U. S. Department of Treasury				
Passed Through Alabama Community College System				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFCOAST01		1,248,202.32
Passed Through Alabama Department of Finance				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFHLTHCOAST01		164,334.14
Total COVID-19 Coronavirus Relief Fund				1,412,536.46
U. S. Department of Education				
Direct Programs				
COVID-19 HEERF Student Aid Portion	84.425E			7,807,534.00
COVID-19 HEERF Institutional Aid Portion	84.425F			10,531,091.62
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)				18,338,625.62
Passed Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002	0921AE097		434,898.19
Passed Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048	V048A200001		237,565.70
Total Expenditures of Federal Awards				$ 44,558,075.91

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.

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, 2021. 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 allowed under the *Uniform Guidance*.

Additional Information

College Officials
October 1, 2020 through September 30, 2021

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, 2021, 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 June 9, 2022.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 9, 2022

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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Coastal Alabama Community College's response to the noncompliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Coastal Alabama Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-002 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 to be a significant deficiency.

Coastal Alabama Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. Coastal Alabama Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 9, 2022

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Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	__X__ Yes	______ No
Significant deficiency(ies) identified?	__X__ Yes	______ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?	__X__ Yes	______ No

Section I – Summary of Examiner's Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.268	Federal Direct Student Loans
	TRIO Cluster
84.042	TRIO-Student Support Services
84.044	TRIO-Talent Search
84.047	TRIO-Upward Bound
	COVID-19 Higher Education Emergency Relief Fund
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Portion
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: $1,336,742.28

Auditee qualified as low-risk auditee? ______ Yes __X__ No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2021-001
Compliance Requirement:	Activities Allowed/Unallowed
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Assistance Listing Number(s) and Title(s):	TRIO Cluster 84.042 TRIO-Student Support Services 84.044 TRIO – Talent Search 84.047 TRIO – Upward Bound
Federal Awarding Agency:	U. S. Department of Education
Federal Award Number:	P042A200284; P042A200570; P042A200160; P044A170016; P047A170391; P047A170301; P047A170316
Pass-through Entity:	None
Pass-through Award Number:	None
Questioned Costs:	None

Proper supporting documentation was not provided for purchase of student participant food cards.

Finding

The ***Code of Federal Regulations***, Section 200.403, lists factors affecting the allowability of costs. Among other factors, the section requires that costs must be necessary and reasonable for the performance of the Federal award and must be adequately documented. Proper documentation of costs helps minimize the possibility that errors or irregularities, including misappropriations and fraud could occur and not be detected.

In addition, the Alabama Community College System ***Fiscal Procedures Manual*** describes the process that should be used when making purchases. The procedures described include properly requesting a purchase order and receiving merchandise prior to the payment for the items purchased.

During the year, the College received a grant award under the Upward Bound Program, Assistance Listing Number 84.047, with a budget indicating that $43,000 would be allocated to the purchase of food gift cards for participants in the program. On December 10, 2020, the College direct deposited Upward Bound program funds in the amount of $4,250 to an employee's personal checking account for the purchase of student participant food cards. Documentation revealed that the College requested documentation of the purchase of the food cards from the employee multiple times over the next year. Despite the attempts to obtain proper documentation, receipts were never provided by the employee for the purchase of the food cards. The College did not follow its normal purchase procedures which would have required documentation of the receipt of merchandise and documentation of costs of the items purchased prior to the release of funds. This allowed an employee to receive and hold $4,250 in Upward Bound program funds for almost a year without purchasing the budgeted food cards. Subsequently, the College requested the funds to be repaid by the employee. The employee repaid the funds on November 4, 2021, and separated service from the College on February 28, 2022.

Recommendation

The College should ensure that federal program costs are adequately documented prior to the release of program funds and that the procedures for purchases described in the Alabama Community College System ***Fiscal Procedures Manual*** are followed.

Views of Responsible Officials of the Auditee

Coastal Alabama Community College does not agree to the Finding 2021-001.

The school and program were in unprecedented times during the pandemic and the Department of Education authorized the release of meal cards to the Upward Bound Program participants. Per guidance distributed by the DOE on July 1, 2020 allowances were made for the programs to adapt services to be extended during the pandemic period to assist the program students. Each director had to make specific request for approval. Those approvals were sent via email to Sharon.Easterling@ed.gov and approvals were received for each of the three programs. All correspondence is attached to this response. The Directors could not be asked to personally pay for thousands of dollars of meal cards in advance of purchasing the cards, so fund were issued, and receipts were turned in for all programs, except one within two weeks. The program directors were instructed to turn in rosters where student signed for receipt of the meal cards as backup. These participants are in areas where we had to issue funds to the directors for the purchase of meal cards. This action only occurred due to the unique times we are in, as normal procedure would be to feed participants on-site or take them for food and pay at time of service.

Auditor's Response to Views of Responsible Officials

We appreciate the College's response. All correspondence was reviewed during the audit, and we agree that approval was received for the purchase of meal cards. However, this finding is related to transferring funds to an employee's personal bank account for the purchase of meal cards, which did not occur. In addition, the College did not obtain reimbursement from the employee until almost a year later. We reaffirm our finding.

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2021-002
Compliance Requirement:	Reporting
Type of Finding:	Internal Control
Internal Control Impact:	Material Weakness
Compliance Impact:	Nonmaterial Noncompliance
Assistance Listing Number(s) and Title(s):	84.425 – Higher Education Emergency Relief Fund (HEERF)
Federal Awarding Agency:	U. S. Department of Education
Federal Award Number:	P425F203710; P425E202401
Pass-through Entity:	None
Pass-through Award Number:	None
Questioned Costs:	None

The College failed to report all expenses and to submit timely the required quarterly reports and annual report due for HEERF reporting.

Finding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) established and funded the Higher Education Emergency Relief Fund (HEERF).

The reporting requirements for HEERF funding include a Quarterly Budget and Expenditure Report (QBER). Expenditures of awards funded by HEERF I, II, III Sections 18004(a)(1) Institutional Portion, 18004(a)(2), and 18004(a)(3) should be reported using the QBER form developed by the grantor. The form is required to be posted on the institution's primary website.

The College was awarded an Institutional Portion grant under 18004(a)(1). Each of the College's quarterly reports during the fiscal year were selected for review. Audit tests revealed that the college failed to report $4,178,745.97 of lost revenues claimed from the (ARP) HEERF III Institutional portion. Quarterly reports were not submitted by the due dates for quarters ended December 31, 2020, March 31, 2021, and June 30, 2021, but instead were submitted with the September 31, 2021, quarterly report which was posted timely. The first annual performance report was which was due on February 28, 2021, was not submitted until March 17, 2021. The College did not have controls in place to ensure that report was accurate and submitted in a timely manner.

Recommendation

The College should ensure that adequate controls are in place to ensure compliance with the federal reporting requirements for reporting of expenses and timely submission of Quarterly Budget and Expenditure Report and submission of the annual performance report.

Views of Responsible Officials of the Auditee

Coastal Alabama Community College does agree to Finding 2021-002.

Auditee Response/Corrective Action Plan

OFFICE OF THE PRESIDENT

June 6, 2022

Rachel Laurie Riddle
Chief Examiner
P.O. Box 302251
Montgomery, AL 36130-2551

Dear Ms. Riddle,

Please see Coastal Alabama Community College's response/corrective action plan as lined out below.

Response/Corrective Action Plan
For the Year Ended September 30, 2021

As required by the ***Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards***, 2 CFR 200.511(c), Coastal Alabama Community College prepared and hereby submits the following Corrective Action Plan for the findings included in section three of the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

Section III – Federal Awards Findings and Questioned Costs

Reference Number 2021-001
Compliance Requirement: Activities allowed/unallowed
Type of Finding: Internal Control and Compliance
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

Assistance Listing Number(s) and Title: TRIO Cluster
84.042 TRIO-Student Support Services
84.044 TRIO – Talent Search
84.047 TRIO – Upward Bound

Federal Awarding Agency: U.S. Department of Education
Federal Award No. P042A200284; P042A200570; P042A200160;
P044A170016; P047A170391; P047A170301;

P047A170316

Pass-through Entity: None

Pass-through Award Number: None

Questioned Costs: None

Proper supporting documentation was not provided for purchase of student participant food cards.

Finding

The ***Code of Federal Regulations,*** §200.403, lists factors affecting the allowability of costs. Among other factors, the section requires that costs must be necessary and reasonable for the performance of the Federal award and must be adequately documented. Proper documentation of costs helps minimize the possibility that errors or irregularities, including misappropriations and fraud could occur and not be detected.

In addition, the Alabama Community College System ***Fiscal Procedures Manual*** describes the process that should be used when making purchases. The procedures described include properly requesting a purchase order and receiving merchandise prior to the payment for the items purchased.

During the year, the College received a grant award under the Upward Bound Program, Assistance Listing Number 84.047, with a budget indicating that $43,000 would be allocated to the purchase of food gift cards for participants in the program. On December 10, 2020, the College direct deposited Upward Bound program funds in the amount of $4,250 to an employee's personal checking account for the purchase of student participant food cards. Documentation revealed that the College requested documentation of the purchase of the food cards from the employee multiple times over the next year. Despite the attempts to obtain proper documentation, receipts were never provided by the employee for the purchase of the food cards. The College did not follow its normal purchase procedures which would have required documentation of the receipt of merchandise and documentation of costs of the items purchased prior to the release of funds. This allowed an employee to receive and hold $4,250 in Upward Bound program funds for almost a year without purchasing the budgeted food cards. Subsequently, the College requested the funds to be repaid by the employee. The employee repaid the funds on November 4, 2021, and separated service from the College on February 28, 2022.

Recommendation:

The College should ensure that federal program costs are adequately documented prior to the release of program funds and that the procedures for purchases described in the Alabama Community College System ***Fiscal Procedures Manual*** are followed.

Views of Responsible Officials of the Auditee:

Coastal Alabama Community College does not agree to the finding 2021-001.

Corrective Action Plan

Coastal Alabama Community College did not agree with the above finding. The school and program were in unprecedented times during the pandemic and the Department of Education authorized the release of meal cards to the Upward Bound Program participants. Per guidance distributed by the DOE on July 1, 2020 allowances were made for the programs to adapt services to be extended during the pandemic period to still assist the program students. Each director had to make specific request for approval. Those approvals were sent via email to Sharon.Easterling@ed.gov and approvals were received for each of the three programs. All correspondence is attached to this response. The Directors could not be asked to personally pay for thousands of dollars of meal cards in advance of purchasing the cards, so funds were issued, and receipts were turned in for all programs, except one within two weeks. The program directors were instructed to turn in rosters where student signed for receipt of the meal cards as backup. These participants are in areas where we had to issue funds to the directors for the purchase of meal cards. This action only occurred due to the unique times we are in, as normal procedure would be to feed participants on-site or take them for food and pay at time of service.

Anticipated Completion Date:

Completed – students are now back on-site; normal practice has been resumed.

Contact Person(s):

Jessica Davis, Chief Financial Officer
Dr. Melinda Byrd-Murphy, Dean External Funding

Reference Number	2021-002
Compliance Requirement:	Reporting
Type of Finding:	Internal Control
Internal Control Impact:	Material Weakness
Compliance Impact:	Nonmaterial Noncompliance
Assistance Listing Number(s) and Title:	84.425 – Higher Education Emergency Relief Fund (HEERF)
Federal Awarding Agency:	U.S. Department of Education

Federal Award Number	P425F203710 P425E202401
Pass-through Entity:	None
Pass-through Award Number:	None
Questioned Costs:	None

The College failed to report all expenses and to submit timely the required quarterly reports and annual report due for HEERF reporting.

Finding

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP) established and funded the Higher Education Emergency Relief Fund (HEERF).

The reporting requirements for HEERF funding include a Quarterly Budget and Expenditure Report (QBER). Expenditures of awards funded by HEERF I, II, III Sections 18004(a)(1) Institutional Portion, 18004(a)(2), and 18004(a)(3) should be reported using the QBER form developed by the grantor. The form is required to be posted on the institution's primary website.

The College was awarded an Institutional Portion grant under 18004(a)(1). Each of the College's quarterly reports during the fiscal year were selected for review. Audit tests revealed that the college failed to report $4,178,745.97 of lost revenues claimed from the (ARP) HEERF III Institutional portion. Quarterly reports were not submitted by the due dates for quarters ended December 31, 2020, March 31, 2021, and June 30, 2021, but instead were submitted with the September 31, 2021, quarterly report which was posted timely. The first annual performance report was which was due on February 28, 2021, was not submitted until March 17, 2021. The College did not have controls in place to ensure that report was accurate and submitted in a timely manner.

Recommendation:

The College should ensure that adequate controls are in place to ensure compliance with the federal reporting requirements for reporting of expenses and timely submission of Quarterly Budget and Expenditure Report and submission of the annual performance report.

Views of Responsible Officials of the Auditee:

Coastal Alabama Community College does agree to finding 2021-002.

Corrective Action Plan

Coastal Alabama Community College agreed to finding 2021-002 and acknowledges that the original quarterly report for the period of 9/30/21 did not include $4,178,745.97 in lost revenue. This report was posted within the 10-day reporting period and the College's fiscal year end close out was occurring. During the closeout process lost revenue was booked after the quarterly report was posted, causing the quarterly report to be incorrect. The quarterly report has been updated to reflect the correct expense. All other Quarterly and Annual reports posted late were due to miscommunication and change in personnel. It will be closely monitored for the remaining active reporting period.

Anticipated Completion Date:

Corrected with 9/30/21 quarterly report during audit and reports are now being monitored for timely posting.

Contact Person(s):

Jessica Davis, Chief Financial Officer

Sincerely,

Warren Craig Pouncey

Warren Craig Pouncey, Ed.D.
President