

Coastal Alabama Community College

Bay Minette, Alabama

Financial Statements

September 30, 2023

Coastal Alabama Community College
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September 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Coastal Alabama Community College (the College), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of September 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying financial schedules are presented for purposes of additional analysis and are not required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic 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 January 17, 2024, on our consideration of the 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 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 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 the College's internal control over financial reporting and compliance.

KASSOUF & CO., INC.



CPAs and Advisors

January 17, 2024

**Coastal Alabama Community College
Management's Discussion and Analysis
September 30, 2023**

Overview of the Financial Statements and Financial Analysis

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

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

Statement of Net Position

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

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

Net assets are divided into two major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The corpus of non-expendable restricted resources is only available for investment purposes. The second category is unrestricted net position. Unrestricted net positions are available to the institution for any appropriate purpose of the institution.

**Coastal Alabama Community College
Management's Discussion and Analysis – Continued
September 30, 2023**

Statement of Net Position (thousands of dollars)

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 54,390	\$ 63,078
Capital assets, net	71,280	64,191
Other Noncurrent Assets	4,797	4,764
Total Assets	<u>130,467</u>	<u>132,033</u>
 Deferred Outflows	 <u>26,095</u>	 <u>16,383</u>
 Liabilities		
Current liabilities	17,365	23,694
Noncurrent liabilities	71,779	61,708
Total Liabilities	<u>89,144</u>	<u>85,402</u>
 Deferred Inflows	 <u>21,769</u>	 <u>24,185</u>
 Net Assets		
Net Investment in Capital Assets	58,085	49,288
Restricted - Nonexpendable	971	967
Restricted - Expendable	1,118	1,323
Unrestricted	(14,525)	(12,749)
Total Net Position	<u>\$ 45,649</u>	<u>\$ 38,829</u>

The \$130 million in assets includes cash and cash equivalents of \$31 million and investments of \$5.5 million. A review of the Statement of Net Position also reveals accounts receivable of \$21 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. The conversion to a new software, Banner, also resulted in a change in capital life depreciation during the 2020-2021 fiscal year. This caused the recalculation of depreciation on all alteration/renovation assets from a 50 year to a 25 year life span doubling the rate of depreciation reducing current net assets. Liabilities of \$89 million include long-term debt of \$12 million, compensated absences and accrued leave of \$1.4 million and Net pension/OPEB liabilities of \$59.2 million as of the end of the 2023 fiscal year.

**Coastal Alabama Community College
Management's Discussion and Analysis - Continued
September 30, 2023**

Also included in the liabilities is deferred revenue of \$10.5 million. The assets less liabilities result in net position of \$45.6 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 non-operating, and the expenses paid by the institution, operating and non-operating, 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. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

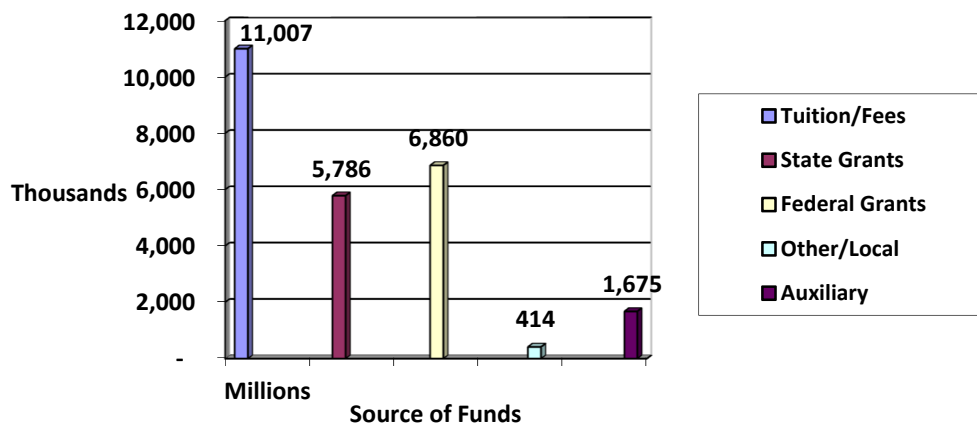
Statements of Revenues, Expenses and Changes in Net Position (thousands of dollars)

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 25,743	\$ 30,531
Operating expenses	70,150	73,418
Operating loss	<u>(44,407)</u>	<u>(42,887)</u>
Nonoperating revenues and expenses, net	<u>51,227</u>	<u>47,332</u>
Income before other revenues, expenses, gains or losses	6,820	4,445
Change in Net Position	6,820	4,445
Net Position at beginning of year	38,829	33,001
Restatements	<u>-</u>	<u>1,383</u>
Net Position at end of year	<u><u>\$ 45,649</u></u>	<u><u>\$ 38,829</u></u>

**Coastal Alabama Community College
Management’s Discussion and Analysis – Continued
September 30, 2023**

The Statement of Revenues, Expenses, and Changes in Net Position reflect a gain of \$6.8 million increasing 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 set most schools to a negative fund balance. Coastal has continued to rebound from the heavy weight of these liabilities. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:

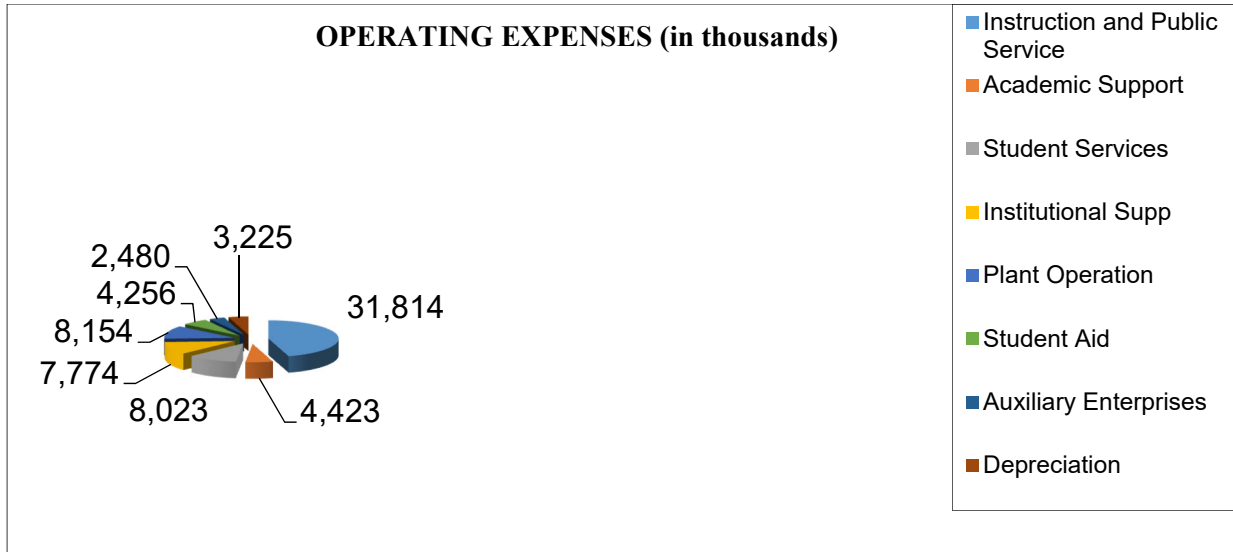
OPERATING REVENUE (in thousands)



The above chart displays, in thousands of dollars, the operating revenues by type and their relationship with one another. For Fall 2022, tuition and fees charged per credit hour of instruction for in-state students was \$165. Student tuition and fees represent the largest portion of the operating revenues, however federal and state grants represent a large portion at \$6.9 million and \$5.8 million, respectively.

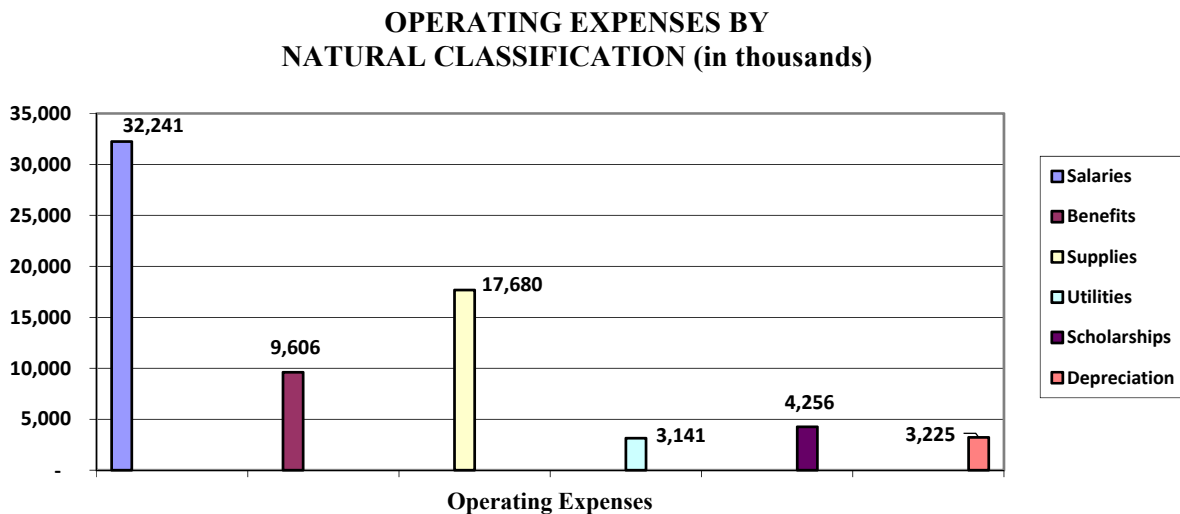
**Coastal Alabama Community College
Management's Discussion and Analysis - Continued
September 30, 2023**

The \$70.1 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 salaries at \$32 million.

**Coastal Alabama Community College
Management's Discussion and Analysis - Continued
September 30, 2023**

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 non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third component reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth component deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items.

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

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

	<u>2023</u>
Cash provided (used) by:	
Operating activities	\$ (61,695)
Cash provided by Non-operating	49,406
Investing activities	324
Capital and related financing activities	<u>(11,206)</u>
Net change in cash	(23,171)
Cash, beginning of year	<u>53,941</u>
Cash, end of year	<u>\$ 30,770</u>

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

State appropriations are the primary source of non-capital financing. This source of revenue is categorized as non-capital 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.

Coastal Alabama Community College
Management's Discussion and Analysis - Continued
September 30, 2023

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 College continues to invest in people, facilities and services to support the growth in community and industry needs. Coastal continues to grow and focus on the mission of the College. Coastal Alabama continues to look forward to a strong and stable financial future across all nine south Alabama counties currently served.

Coastal Alabama Community College
Statement of Net Position
September 30, 2023

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 30,770,130
Short-Term Investments	759,175
Deposits with Bond Trustee	1,584,710
Accounts Receivable	
Net of allowance for doubtful accounts of \$1,157,167	21,165,654
Inventories	70,594
Prepaid Expenses	39,523
Total Current Assets	54,389,786
Non-Current Assets	
Long-Term Investments	4,296,738
Endowment Investments	483,517
Real Estate Investment	17,000
Capital Assets:	
Land	2,405,754
Improvements Other Than Buildings	13,030,375
Buildings & Building Alterations	101,300,371
Equipment & Furniture	14,029,083
Art Collections	258,288
Library Holdings	1,918,549
Construction in Progress	7,714,498
Leased Right of Use Assets	355,961
Subscription Assets	17,452
Less: Accumulated Depreciation	(69,750,599)
Total Capital Assets, Net of Accumulated Depreciation	71,279,732
Total Non-Current Assets	76,076,987
Total Assets	130,466,773
Deferred Outflow of Resources	
Pension	18,644,114
Other Postemployment Benefit (OPEB)	7,403,925
Other Deferred Outflow	47,536
Total Deferred Outflow of Resources	\$ 26,095,575

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Statement of Net Position
September 30, 2023

Liabilities and Net Position

Current Liabilities

Deposits	\$ 964,518
Accounts Payable and Accrued Liabilities	3,699,193
Bond Surety Fee Payable	23,709
Unearned Revenue	10,452,243
Compensated Absences	818,844
Subscription Liabilities	8,850
Lease Payable	129,306
Bonds Payable	1,268,000
Total Current Liabilities	17,364,663

Non-Current Liabilities

Compensated Absences	544,315
Lease Payable	145,961
Bonds Payable	11,853,344
Net Pension	54,313,941
Net OPEB Liability	4,921,477
Total Non-Current Liabilities	71,779,038
Total Liabilities	89,143,701

Deferred Inflow of Resources

Pensions	2,623,000
Other Postemployment Benefit (OPEB)	19,145,836
Total Deferred Inflow of Resources	21,768,836

Net Position

Invested in Capital Assets, Net of Related Debt and Depreciation	58,085,256
Restricted For:	
<i>Nonexpendable</i>	
Scholarships and Fellowships	971,443
<i>Expendable</i>	
Debt Service	1,118,344
Unrestricted	(14,525,232)
Total Net Position	\$ 45,649,811

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2023

Operating Revenues

Student Tuition and Fees (Net of scholarship allowances of \$765,749)	\$	11,007,421
Federal Grants and Contracts		6,859,855
State Grants and Contracts		5,785,869
Local Grants and Contracts		78,754
Auxiliary Enterprises:		
Residential Life (Net of scholarship allowances of \$618,619)		960,456
Food Service (Net of scholarship allowances of \$163,547)		686,076
Other Auxiliary Enterprises		28,425
Other Operating Revenues		335,687
Total Operating Revenues		25,742,543

Operating Expenses

Instruction		31,808,619
Public Service		6,345
Academic Support		4,423,414
Student Services		8,023,172
Institutional Support		7,773,544
Operation and Maintenance		8,153,762
Scholarship and Financial Aid		4,256,323
Auxiliary Enterprises		2,479,767
Lease Amortization		96,745
Depreciation		3,127,854
Total Operating Expenses		70,149,545

Operating Loss

\$ (44,407,002)

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2023

Non-Operating Revenues (Expenses)	
State Appropriations	\$ 34,157,406
Local Appropriations	2,540,586
Federal Grants and Contracts	13,260,986
Gifts	198,980
Investment Income (Net of investment expense)	357,183
Realized Gain/Loss on Investments	591,491
Unrealized Gain/Loss on Investments	4,200
Other Non-Operating Revenues	711,880
Interest Debt Payments	(270,287)
Other Non-Operating Expenses	(193,461)
Bond Surety Fee Expense	(131,883)
Total Non-Operating Revenues (Expenses)	51,227,081
 Change in Net Position	 6,820,079
 Net Position - Beginning of Year	 38,829,732
Net Position - End of Year	\$ 45,649,811

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash Flows from Operating Activities

Tuition and Fees	\$ 10,511,070
Grants and Contracts	6,180,811
Auxiliary Enterprise	2,060,972
Payments to Suppliers	(17,346,486)
Payments for Utilities	(3,143,643)
Payments for Employees	(31,782,228)
Payments for Benefits	(21,638,265)
Payments for Scholarships	(4,256,323)
Auxiliary Enterprise Charges	
Bookstore	(3,591)
Food Service	(852,571)
Vending	(14,852)
Housing	(194,344)
Other Payments	(1,414,411)
Other Receipts	198,980
Net Cash Used by Operating Activities	(61,694,881)

Cash Flows from Non-Capital Financing Activities

State Appropriations	34,157,406
Bond Surety Fee Expense	(131,883)
Gifts and Grants For Other Than Capital Purposes	198,980
Federal Direct Loan Receipts	10,076,437
Federal Direct Loan Lending Disbursements	(11,408,418)
Federal Grant Revenue-Nonoperating	478,442
Pell Revenue	12,782,544
Other Non-Capital Financing	3,252,466
Net Cash Provided by Non-Capital Financing Activities	49,405,974

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Capital Assets	591,491
Purchases of Capital Assets and Construction	(10,648,317)
Principal Paid on Capital Debt and Leases	(1,439,501)
Interest Paid on Capital Debt and Leases	270,286
Deposits with Trustees	(19,123)
Other Capital and Related Financing	39,141
Net Cash Used by Capital and Related Financing Activities	\$ (11,206,023)

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash Flows from Investing Activities	
Investment Income	\$ 357,183
Purchase of Investments	(33,224)
Net Cash Provided by Investing Activities	323,959
Net Decrease in Cash and Cash Equivalents	(23,170,971)
Cash and Cash Equivalents-Beginning of the Year	53,941,101
Cash and Cash Equivalents - End of Year	30,770,130
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Loss	(44,407,002)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	3,224,599
Bad Debt Expense	691,859
Changes in Assets and Liabilities:	
Receivables (Net)	(14,478,265)
Inventory	681
Other Assets	14,417
Deferred Outflows	(9,712,745)
Accounts Payable	(1,167,642)
Unearned Revenue	(4,395,667)
Deposits Held for Others	(1,528,271)
Compensated Absences	615,822
Pension Liability	20,452,000
OPEB Liability	(8,588,655)
Deferred Inflows	(2,416,012)
Net Cash Used by Operating Activities	\$ (61,694,881)

The accompanying Notes to Financial Statements are an integral part of these statements.

Coastal Alabama Community College
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies

The financial statements of Coastal Alabama Community College (the “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.

Reporting Entity

The 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 College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating 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. The College has determined that all federal grant and contracts (excluding Pell grants), state grants and contracts, local grants and contracts and non-governmental grants and contracts, which are not designated for the purchase of capital assets, will be considered operating revenue. Non-operating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations, gifts, and Pell grants.

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

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.

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. The receivables are shown net of allowance for doubtful accounts.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Capital Assets

Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction-in-Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

Assets	Depreciation Method	Useful Lives
Buildings	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
Capitalized Collections	Straight-Line	20 years

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

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.

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.

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.

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.

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Pensions

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

Other Postemployment Benefits (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.

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Restricted

Non-expendable – 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.

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)*.

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.

New Accounting Pronouncements – Implemented

In May 2020, the GASB issued Statement Number 96, Subscription-Based Information Technology Arrangements (SBITA). The standard requires recognition of right-to-use subscription assets, an intangible asset, and a corresponding subscription liability. The College should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. The College should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

In October 2021, the GASB issued Statement Number 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

In April 2022, the GASB issued Statement Number 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees.

Change in Presentation

Beginning October 1, 2022, the accounting presentation for uncollectible student accounts has been adjusted in accordance with GASB Implementation Guide 2015-1 which states that revenues in proprietary funds should be reported net of all related allowances—sales discounts and allowances and amounts pertaining to uncollectible accounts. As a result, the College is adjusting the presentation of its student tuition and fee revenues to reflect the net of the increase or decrease in the estimate of uncollectible accounts and the net decrease due to scholarship allowances. This change in presentation, which has no effect to the College's beginning net position, is in accordance with generally accepted accounting principles. The change in presentation is intended to provide a more accurate representation of the College's financial operational activities.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Change in Accounting Estimates

Beginning October 1, 2022, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with generally accepted accounting principles and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase to Allowance for Doubtful Accounts and an increase to Net Accounts Receivable in the amount of \$660,712.

Note 2. Deposits and Investments

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 and Cash Equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Investments

The 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

Investments in debt securities are limited to the two highest quality credit ratings 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, and 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

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 \$5,055,913 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, 2023, the College had \$1,584,710 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 consist 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 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, 2023. 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

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 that have unobservable inputs for an asset and may require a degree of professional judgement.

Assets at Fair Value as of September 30, 2023				
		Quoted Prices in Active Markets Identical for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value				
<u>Equity Securities:</u>				
Domestic Common and Preferred Stock	\$ 25,888	\$ 25,888	\$ -	\$ -
Real Estate	17,000	-	17,000	
Total Equity Securities	42,888	\$ 25,888	\$ 17,000	\$ -
Certificate of Deposits	5,055,913			
Money Market Accounts				
Bond Funds (*)	1,584,710			
Total	\$ 6,640,623			

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

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

Additional Information for Level 2 Inputs

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

Note 3. Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 13,145,250
State	1,950,455
Tuition and Fees	2,855,444
Other	3,214,505
Total Accounts Receivables, Net	\$ 21,165,654

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Land	\$ 2,405,754	\$ -	\$ -	\$ 2,405,754
Improvements other than Buildings	12,818,768	211,607	-	13,030,375
Buildings	84,926,508	4,680,183	-	89,606,691
Building Alterations	11,024,447	669,232	-	11,693,679
Construction in Progress	4,220,898	3,493,601	-	7,714,499
Equipment greater than \$25,000	6,232,084	760,097	(77,443)	6,914,738
Equipment less than \$25,000	6,816,465	391,624	(93,744)	7,114,345
Library Holdings	1,962,300	28,008	(71,759)	1,918,549
Art Collections	258,288	-	-	258,288
Leased Right to Use Assets	51,829	304,132	-	355,961
Subscription Assets	-	17,452	-	17,452
Total Capital Assets	\$ 130,717,341	\$ 10,555,936	\$ (242,946)	\$ 141,030,331

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 4. Capital Assets – Continued

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Depreciation:				
Improvements other than Buildings	\$ 7,161,269	\$ 453,920	\$ -	\$ 7,615,189
Buildings	46,358,069	1,985,505	-	48,343,574
Building Alterations	1,241,426	-	-	1,241,426
Equipment greater than \$25,000	4,411,404	360,325	(28,698)	4,743,031
Equipment less than \$25,000	5,938,829	348,554	(93,004)	6,194,379
Library Holdings	1,400,240	94,801	6,451	1,501,492
Lease Right to Use Assets	14,763	90,784	-	105,547
Subscription Assets	-	5,961	-	5,961
Total Accumulated Depreciation	66,526,000	3,339,850	(115,251)	69,750,599
Capital Assets, Net	\$ 64,191,341	\$ 7,216,086	\$ (127,695)	\$ 71,279,732

Note 5. Defined Benefit Pension Plan

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive.

Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022 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. For the year ended September 30, 2023, total employer contributions to the pension plan from the College were \$3,262,000.

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

At September 30, 2023, the College reported a liability of \$54,314,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the College's proportion was 0.349490%, which was a decrease of 0.009970% from its proportion measured as of September 30, 2021.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

For the year ended September 30, 2023, the College recognized pension expense of \$3,498,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollar amount in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,194	\$ 1,318
Changes of assumptions	2,465	-
Net difference between projected and actual earnings on pension plan investments	10,899	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	822	1,305
Employer contributions subsequent to the measurement date	3,262	-
Total	<u>\$ 18,644</u>	<u>\$ 2,623</u>

The \$3,552,000 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, 2024. 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	Amount
2024	3,540
2025	3,051
2026	2,024
2027	4,142
Total	<u>\$ 12,757</u>

(Dollar Amounts in Thousands)

**Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023**

Note 5. Defined Benefit Pension Plan – Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2021 valuation, for purposes of determining the TPL, were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020, and a discount rate of 7.45% as adopted by the Board of Trustees on September 13, 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forwards (+) /Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages <69, 98% ages > 74, Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

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:

Asset Class	Target Allocation	Long-Term Expected Rate *
Fixed Income	15.0%	2.8%
U. S. Large Stocks	32.0%	8.0%
U. S. Mid Stocks	9.0%	10.0%
U. S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	2.5%
Total	<u>100.0%</u>	

(*) Includes assumed rate of inflation of 2.00%.

Discount Rate

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

**Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023**

Note 5. Defined Benefit Pension Plan – Continued

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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s proportionate share of collective net pension liability	\$70,279	\$54,314	\$40,865

(Dollar Amounts in Thousands)

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, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov>.

Note 6. Other Postemployment Benefits (OPEB)

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

Benefits Provided

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.

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

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.

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

At September 30, 2023, the College reported a liability of \$4,921,477 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the College's proportion was 0.282446%, which was an increase of 0.020967% from its proportion measured as of September 30, 2021.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

For the year ended September 30, 2023, the College recognized OPEB expense of \$3,337,770 with no special funding situations. At September 30, 2023, 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	\$ 225,719	\$ 9,950,822
Changes of assumptions	3,991,990	7,163,506
Net difference between projected and actual earnings on pension plan investments	618,923	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,166,187	2,031,508
Employer contributions subsequent to the measurement date	401,106	-
Total	\$ 7,403,925	\$ 19,145,836

The \$401,106 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, 2024.

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	Amount
2024	\$ (3,288,931)
2025	(3,257,246)
2026	(1,485,551)
2027	(1,268,555)
2028	(1,726,576)
Thereafter	(1,116,158)
Total	\$ (12,143,017)

**Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023**

Note 6. Other Postemployment Benefits (OPEB) – Continued

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021 and rolled forward to the measurement date of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75 % wage inflation

(2) Compounded annually, net of investment expense, and includes inflation

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

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forwards (+) /Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages <69, 98% ages > 74, Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

The remaining actuarial assumptions (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, 2021.

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 *
Fixed Income	30.0%	4.4%
U. S. Large Stocks	38.0%	8.0%
U. S. Mid Stocks	8.0%	10.0%
U. S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	15.0%	9.5%
Cash Equivalents	5.0%	1.5%
Total	<u>100.0%</u>	

(*) Includes assumed rate of inflation of 2.50%.

**Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023**

Note 6. Other Postemployment Benefits (OPEB) – Continued

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, 2022, was 7.00%. The discount rate used to measure the total OPEB liability at the prior measurement date was 3.05%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members were projected through 2120.

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:

	<u>1% Decrease</u> (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	<u>Current Rate</u> (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	<u>1% Increase</u> (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
College’s proportionate share of collective net OPEB liability	\$3,731,966	\$4,921,477	\$6,380,300

**Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023**

Note 6. Other Postemployment Benefits (OPEB) – Continued

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 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College’s proportionate share of collective net OPEB liability	\$6,084,679	\$4,921,477	\$3,945,003

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, 2022. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Unemployment Compensation

The College is liable for unemployment claims paid by the Unemployment Compensation Trust Fund which are attributable to service in the employ of the College. The College makes advance payment to this fund to meet this liability in accordance with the Unemployment Compensation Act of Alabama (Code of Alabama 1975, #25-4-1 through #25-4-148). At September 30th of each year, excess of advance payments over net unemployment compensation paid is due to the College from the Unemployment Compensation Trust Fund. Any excess of net unemployment compensation paid over advance payments results in a liability to the College which must be satisfied within ten days after the College is notified of the amount of the liability.

The College had made excess advance payment to the Unemployment Compensation Trust Fund of \$185,970. This excess was allowed to remain in the fund to be applied to future quarterly advance payments.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 8. Commitments and Contingencies

As of September 30, 2023, Coastal Alabama Community College had been awarded approximately \$18,982,072 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.

The College is a party to various litigation and other claims in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

Note 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2023, for goods and services received prior to the end of the fiscal year.

Salaries, Wages and Benefits	\$	1,088,566
Student Payables		531,414
Interest Payable		230,759
Suppliers		1,848,454
Total	\$	3,699,193

Note 10. Compensated Absences

The financial statements were prepared in accordance with Financial Accounting Standards Board Statement 43, which requires recording the liabilities associated with compensated absences if the amount can be estimated and payment is probable. For the fiscal year ended September 30, 2023, the amount of the College's total liability for compensated absences is \$1,363,159. At September 30, 2023, 32 employees were retired or terminated and the actual retirement/termination costs were \$119,468. Accrued expenses for compensated absences on employee's annual leave were \$168,913 for the fiscal year ended September 30, 2023.

Note 11. Subscriptions

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 11. Subscriptions – Continued

On October 1, 2022, the College entered into a 35 month subscription for the use of Cadence Texting Platform. An initial subscription liability was recorded in the amount of \$17,452. As of September 30, 2023, the value of the subscription liability is \$8,850. The College is required to make annual fixed payments of \$9,149. The subscription has an interest rate of 3.3780%. The value of the right to use asset as of September 30, 2023 of \$17,452 with accumulated amortization of \$5,961 is included with Software on the Subscription Class activities table found below.

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of September 30, 2023	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 17,452	\$ 5,961
Total Subscriptions	\$ 17,452	\$ 5,961

Principal and Interest Requirements to Maturity

Year	As of September 30,		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 8,850	\$ 299	\$ 9,149

Note 12. Leases

On June 9, 2020, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Foley. An initial lease liability was recorded in the amount of \$3,246. As of September 30, 2023, the value of the lease liability is \$163. The College is required to make monthly fixed payments of \$163. The lease has an interest rate of 0.6080%. There was no remaining asset value as of September 30, 2023

On October 19, 2020, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Gulf Shores Main Office. An initial lease liability was recorded in the amount of \$4,890. As of September 30, 2023, the value of the lease liability is \$1,023. The College is required to make monthly fixed payments of \$205. The lease has an interest rate of 0.6080%. The value of the right to use asset as of September 30, 2023 was \$4,890 with accumulated amortization of \$4,771 is included with Equipment on the Lease Class activities table found below.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 12. Leases – Continued

On August 16, 2021, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Nursing Atmore. An initial lease liability was recorded in the amount of \$11,545. As of September 30, 2023, the value of the lease liability is \$4,288. The College is required to make monthly fixed payments of \$330. The lease has an interest rate of 0.4080%. The value of the right to use asset as of September 30, 2023 was \$11,545 with accumulated amortization of \$8,031 is included with Equipment on the Lease Class activities table found below.

On August 16, 2021, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Talent Search TMV. An initial lease liability was recorded in the amount of \$8,399. As of September 30, 2023, the value of the lease liability is \$2,400. The College is required to make monthly fixed payments of \$240. The lease has an interest rate of 0.4080%. The value of the right to use asset as of September 30, 2023 was \$8,399 with accumulated amortization of \$5,843 is included with Equipment on the Lease Class activities table found below.

On April 21, 2022, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Career Coaches BM. An initial lease liability was recorded in the amount of \$11,875. As of September 30, 2023, the value of the lease liability is \$5,607. The College is required to make monthly fixed payments of \$330. The lease has an interest rate of 2.1450%. The value of the right to use asset as of September 30, 2023 was \$11,875 with accumulated amortization of \$5,717 is included with Equipment on the Lease Class activities table found below.

On April 21, 2022, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Nursing BM. An initial lease liability was recorded in the amount of \$11,875. As of September 30, 2023, the value of the lease liability is \$5,607. The College is required to make monthly fixed payments of \$330. The lease has an interest rate of 2.1450%. The value of the right to use asset as of September 30, 2023 was \$11,875 with accumulated amortization of \$5,717 is included with Equipment on the Lease Class activities table found below.

On January 3, 2023, the College entered into a 36 month lease as Lessee for the use of Xerox Copiers 44 units - Various locations. An initial lease liability was recorded in the amount of \$294,560. As of September 30, 2023, the value of the lease liability is \$240,076. The College is required to make monthly fixed payments of \$9,205. The lease has an interest rate of 2.7960%. The value of the right to use asset as of September 30, 2023 was \$294,560 with accumulated amortization of \$73,162 is included with Equipment on the Lease Class activities table found below.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 12. Leases – Continued

On August 1, 2023, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Foley 62923. An initial lease liability was recorded in the amount of \$6,992. As of September 30, 2023, the value of the lease liability is \$6,597. The College is required to make monthly fixed payments of \$194. The lease has an interest rate of 3.0410%. The value of the right to use asset as of September 30, 2023 was \$6,992 with accumulated amortization of \$388 is included with Equipment on the Lease Class activities table found below.

On October 7, 2022, the College entered into a 36 month lease as Lessee for the use of Xerox Copier - Thomasville. An initial lease liability was recorded in the amount of \$5,825. As of September 30, 2023, the value of the lease liability is \$4,661. The College is required to make monthly fixed payments of \$194. The lease has an interest rate of 3.3780%. The value of the right to use asset as of September 30, 2023 was \$5,826 with accumulated amortization of \$1,918 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

	As of September 30, 2023	
Asset Class	Lease Asset Value	Accumulated Amortization
Equipment	\$ 355,961	\$ 105,547
Total Leases	<u>\$ 355,961</u>	<u>\$ 105,547</u>

Principal and Interest Requirements to Maturity

September 30,	Principal Payments	Interest Payments	Total Payments
2024	\$ 123,437	\$ 5,869	\$ 129,306
2025	117,157	2,582	119,739
2026	29,402	155	29,557
Total	<u>\$ 269,996</u>	<u>\$ 8,606</u>	<u>\$ 278,602</u>

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 13. Long-Term Debt

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>Bonds Payable</u>					
Publicly Sold	\$11,015,087	\$ -	\$ 530,000	\$10,485,087	\$ 545,000
Direct Placement	2,222,913	-	705,000	1,517,913	723,000
Bond Premium	1,322,845	-	204,501	1,118,344	-
Total Bonds	\$14,560,845	\$ -	\$1,439,501	\$13,121,344	\$1,268,000

Total interest expense for the Publicly Sold bond and Direct Placement bond was \$437,375 and \$38,021, respectively, for the fiscal year ended September 30, 2023. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Years	<u>Publicly Sold Bonds</u>		<u>Direct Placement Bonds</u>		Total
	Principal	Interest	Principal	Interest	
2023-2024	\$ 545,000	\$ 420,275	\$ 723,000	\$ 23,026	\$ 1,711,301
2024-2025	570,000	398,550	735,000	7,717	1,711,267
2025-2026	840,000	372,150	-	-	1,212,150
2026-2027	875,000	337,950	-	-	1,212,950
2027-2028	910,000	299,375	-	-	1,209,375
2028-2029	950,000	259,150	-	-	1,209,150
2029-2030	995,000	217,075	-	-	1,212,075
2030-2031	1,040,000	173,025	-	-	1,213,025
2031-2032	575,000	138,275	-	-	713,275
2032-2033	595,000	113,325	-	-	708,325
2033-2034	625,000	87,225	-	-	712,225
2034-2035	650,000	62,000	-	-	712,000
2035-2036	675,000	37,850	-	-	712,850
2036-2037	700,000	12,775	-	-	712,775
Total	\$ 10,545,000	\$ 2,929,000	\$1,458,000	\$ 30,743	\$ 14,962,743

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 13. Long-Term Debt – Continued

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 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. Pledged revenues in the amount of \$6,660,340 were received during the fiscal year ended September 30, 2023, with \$464,175 or 6.97% 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 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. Pledged revenues in the amount of \$6,660,340 were received during the fiscal year ended September 30, 2023, with \$743,021 or 11.16% 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 13. Long-Term Debt – Continued

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 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. Pledged revenues in the amount of \$6,660,340 were received during the fiscal year ended September 30, 2023, with \$503,200 or 7.56% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2037.

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 Refunding Bonds is being amortized using the effective interest method over the life of the bonds.

	Premium
Total Premium	\$ 1,700,103
Amount Amortized Prior Years	(377,263)
Balance Premium	1,322,845
Current Amount Amortized	(204,501)
Balance Premium	\$ 1,118,344

Note 14. 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 14. Risk Management – Continued

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 15. 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.

Coastal Alabama Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 15. Related Parties – Continued

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 16. Subsequent Events

The College has evaluated subsequent events through January 17, 2024, the date on which the financial statements were available to be issued.

Required Supplementary Information

Coastal Alabama Community College
Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.349490%	0.359460%	0.350365%	0.344656%	0.363931%	0.370644%	0.295862%	0.361386%	0.366484%
College's proportionate share of the net pension liability	\$ 54,314	\$ 33,862	\$ 43,339	\$ 38,108	\$ 36,184	\$ 36,429	\$ 39,075	\$ 37,822	\$ 32,944
College's covered payroll during the measurement period (*)	\$ 29,156	\$ 27,072	\$ 26,173	\$ 24,834	\$ 26,767	\$ 26,231	\$ 24,576	\$ 24,480	\$ 24,612
College's proportionate share of the net pension liability as a percentage of its covered payroll	186.29%	125.08%	165.59%	153.45%	135.18%	138.88%	159.00%	154.50%	133.85%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	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 2023, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

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

Coastal Alabama Community College
Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,262	\$ 3,262	\$ 3,147	\$ 3,022	\$ 2,996	\$ 2,922	\$ 2,889	\$ 2,672	\$ 2,600
Contributions in relation to the contractually required contribution	\$ 3,262	\$ 3,262	\$ 3,147	\$ 3,022	\$ 2,996	\$ 2,916	\$ 3,425	\$ 2,672	\$ 2,600
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ (536)</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 29,156	\$ 27,072	\$ 26,173	\$ 24,834	\$ 26,767	\$ 26,231	\$ 24,576	\$ 24,480	\$ 24,612
Contributions as a percentage of covered payroll	11.19%	12.05%	12.02%	12.17%	11.19%	11.14%	11.76%	10.92%	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 2023, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer'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.

Coastal Alabama Community College
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, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.282446%	0.261479%	0.245871%	0.289381%	0.287664%	0.294657%
College's proportionate share of the net OPEB liability (asset)	\$ 4,921	\$ 13,510	\$ 15,957	\$ 10,917	\$ 23,642	\$ 21,885
College's covered payroll during the measurement period (*)	\$ 29,156	\$ 27,072	\$ 26,173	\$ 24,834	\$ 26,767	\$ 26,231
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.88%	49.90%	60.97%	43.96%	88.33%	83.43%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

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

Costal Alabama Community College
Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 401	\$ 538	\$ 454	\$ 484	\$ 823	\$ 707
Contributions in relation to the contractually required contribution	\$ 401	\$ 538	\$ 454	\$ 484	\$ 823	\$ 707
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 29,156	\$ 27,072	\$ 25,060	\$ 24,834	\$ 26,809	\$ 26,767
Contributions as a percentage of covered-employee payroll	1.38%	1.99%	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.

Coastal Alabama Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB)
For the Year, Ended September 30, 2023

Note 1. Changes in Actuarial Assumptions

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

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

Note 2. 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.

Note 3. Changes of Benefit Terms

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021 the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00% (6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012.

Coastal Alabama Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB) – Continued
For the Year Ended September 30, 2023

Note 3. Changes of Benefit Terms – Continued

Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows:

(i) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).

(ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service).

(iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

Note 4. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2033 for Pre-Medicare Eligible 2023 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.	

Coastal Alabama Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB) – Continued
For the Year Ended September 30, 2023

Note 5. Changes of Assumptions

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

In 2016, rates of retirement, disability, withdrawal and mortality 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 the expectation of retired life mortality as 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.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Supplementary Information

Coastal Alabama Community College
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor's Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>Student Financial Assistance Cluster</u>			
<u>U. S. Department of Education</u>			
<u>Direct Programs</u>			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 348,900
Federal Work-Study Program	84.033		129,542
Federal Pell Grant Program	84.063		12,782,544
Federal Direct Student Loans	84.268		11,408,418
Total Student Financial Assistance Cluster			<u>24,669,404</u>
<u>Research and Development Cluster</u>			
<u>National Science Foundation</u>			
<u>Direct Programs</u>			
Education and Human Resources	47.076		8,405
<u>Passed Through University of West Alabama</u>			
Education and Human Resources	47.076	1852795	9,218
Total Education and Human Resources			<u>17,623</u>
<u>TRIO Cluster</u>			
<u>U. S. Department of Education</u>			
<u>Direct Programs</u>			
TRIO - Student Support Services	84.042A		1,113,164
TRIO - Talent Search	84.044A		693,789
TRIO - Upward Bound	84.047A		1,112,659
Total TRIO Cluster			<u>2,919,612</u>
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Conservation and Natural Resources</u>			
Coastal Zone Management Administration Awards	11.419	CACC-CZM-306-19-1	5,000
<u>U. S. Department of Agriculture</u>			
<u>Passed Through University of West Alabama</u>			
Partners for Agricultural Innovation and Sustainability	10.326	2021-70001-34527	74,104
<u>U. S. Department of Education</u>			
<u>Direct Programs</u>			
Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F		2,246,012
Higher Education Emergency Relief Fund (HEERF) Supplemental Institutional Portion	84.425S		718,525
Total Higher Education Emergency Relief Fund (HEERF)			<u>2,964,537</u>
<u>Passed Through Alabama Community College System</u>			
Adult Education - Basic Grants to States	84.002A	0920AE097	457,378
<u>Passed Through Alabama State Department of Education</u>			
Career and Technical Education - Basic Grants to States	84.048A	V048A190001	363,281
Total Federal Awards			<u>\$ 31,470,939</u>

See accompanying notes to schedule of expenditures of federal awards.

Coastal Alabama Community College
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2023

Note 1. Basis of Accounting

The Schedule of Expenditures of Federal Awards (the Schedule) was prepared on 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. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the College, under programs of federal award activity of the College, under programs of the federal government for the year ended September 30, 2023. 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 the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The College has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALNs have been listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Two clusters were identified in the Schedule as follows:

Student Financial Aid Cluster - This cluster includes awards that assist agencies in providing financial assistance to eligible students attending eligible institutions of postsecondary education.

TRIO Cluster – This cluster includes awards that assist agencies in providing outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds (low-income individuals, first-generation college students, and individuals with disabilities).

Note 3. Indirect Cost Rate

The College has elected to not use the 10% de Minimis indirect cost rate.

Coastal Alabama Community College
Notes to the Schedule of Expenditures of Federal Awards - Continued
September 30, 2023

Note 4. Relationship of the Schedule to Program Financial Reports

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the Schedule may differ. Some of the factors that may account for any difference include the following:

The College's fiscal year end may differ from the program's year end.

Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.

Fixed asset purchases and the resulting depreciation charges are recognized as property and equipment, net in the College's financial statements and as expenditures in the program financial reports.

Note 5. Federal Pass-Through Funds

The College is the sub-recipient of federal funds and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

Note 6. Contingencies

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College. As of September 30, 2023, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7. Noncash Assistance

The College did not receive any federal noncash assistance for the fiscal year ended September 30, 2023.

Note 8. Subrecipients

The College did not provide federal funds to subrecipients for the fiscal year ended September 30, 2023.

Note 9. Federally Funded Insurance

The College did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ending September 30, 2023.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Coastal Alabama Community College (the College), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Coastal Alabama Community College's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KASSOUF & CO., INC.

A handwritten signature in black ink that reads "Kassouf & Co." in a cursive script.

CPAs and Advisors

January 17, 2024



**Independent Auditor’s Report on Compliance for Each Major Program,
Schedule of Expenditures of Federal Awards and on Internal Controls Over
Compliance Required by Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Coastal Alabama Community College’s (the College) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended September 30, 2023. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the other 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 of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated January 17, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KASSOUF & CO., INC.



CPAs and Advisors

January 17, 2024

**Coastal Alabama Community College
Schedule of Findings and Questioned Costs
September 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be a material weakness	None reported
Noncompliance material to the financial statement noted	No

Federal Awards

Type of auditor's report issued	Unmodified
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be a material weakness	No
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)	No

Identification of major programs:

Federal Programs

CFDA No.

Student Financial Assistance Cluster

Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268

Trio Cluster

TRIO-Student Support Services	84.042
TRIO-Talent Search	84.044
TRIO-Upward Bound	84.047

COVID-19 Higher Education Emergency Relief Fund

COVID-19 HEERF Student Aid Portion	84.425E
COVID-19 HEERF Institutional Aid Portion	84.425F
COVID-19 HEERF Supplemental Institutional Portion	84.425S

Dollar threshold used to determine Type A and Type B programs: \$945,878

Auditee qualified as low-risk auditee under the Uniform Guidance No

**Coastal Alabama Community College
Schedule of Findings and Questioned Costs - Continued
September 30, 2023**

Findings – Financial Statements Audit	None
Findings and Questioned Costs – Major Federal Award Programs Audit	None

Coastal Alabama Community College
Summary Schedule of Prior Audit Findings
September 30, 2023

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2022-001
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

Balance sheet accounts were not properly reconciled for the fiscal year ended September 30, 2022.

Finding

Internal control is a process affected by those charged with governance, management and other personnel that is designed to provide reasonable assurance about the achievement of the entity’s objective with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal controls over balance sheet accounts should include a periodic reconciliation of accounts. Periodic reconciliations of balance sheet accounts help the College to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

The College did not reconcile certain balance sheet accounts for the year ended September 30, 2022. This resulted in misstated general ledger balances that required entries to correct in order to agree the subsidiary ledger or other underlying supporting documentation. The College has a short closing period from its year- end to where entries can no longer be posted to the fiscal year ended.

Recommendation

We recommend that the College perform reconciliations of all significant balance sheet accounts on an ongoing and preferably monthly basis in order to provide accurate data in the financial statements. By performing account analysis and reconciliation regularly throughout the year this will help ensure that balances are accurately stated throughout the year and at the College’s fiscal year-end.

Corrective action was taken.

Coastal Alabama Community College
Summary Schedule of Prior Audit Findings - Continued
September 30, 2023

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2022-002
Compliance Requirement:	Reporting
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Significant Deficiency
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

Finding

As specified in 2 CFR section 200.303 the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Adequate controls must be in place to ensure proper expenditures are reported in the applicable reporting periods.

Adequate controls were not in place to review and approve grant reports for accuracy and completeness of the report prior to their submission to the grantor. Appropriate supporting documentation was not retained in order to reconcile the amounts reported on the HEERF I, II, & III Annual Performance Report Form to the College's general ledger. Lack of sufficient controls over the review and approval of grant reports to ensure the accuracy and completeness of the report being submitted to the grantor can result in improper reporting which could lead to disallowed costs. However, our audit disclosed no instances of unallowable costs. Further, the HEERF methodology for distributing funds to students was not disclosed on the College's website.

Recommendation

We recommend the strengthening of controls to ensure the quarterly grant reports are reviewed and approved for accuracy and completeness prior to submission to the grantor.

Corrective action was taken.