LAWSON STATE COMMUNITY COLLEGE
(A Component Unit of the State of Alabama)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

LAWSON STATE COMMUNITY COLLEGE
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SEPTEMBER 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Alabama Community College System Board of Trustees
and the President of Lawson State Community College

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lawson State 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, the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgment, 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 on pages 3 through 10 and the supplementary information on pages 45 through 50 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.

Warren Averett, LLC

Montgomery, Alabama
January 17, 2024

LAWSON STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
September 30, 2023
(Unaudited)

Introduction

Lawson State Community College (the College) is a comprehensive, public, two-year, multi-campus college. With a focus on student success, the College provides affordable and accessible quality educational opportunities, promotes economic growth, and enhances the quality of life for the diverse communities it serves. Through innovative instruction and lifelong learning opportunities, the College prepares students for college transfer, gainful employment, and career advancement.

The College, with campuses in Bessemer and Birmingham, is composed of two main divisions – an academic division and a career/technical division. The College is an institution with a rich history of academic achievement and an unmatched record of community leadership and service. The College is proud of its ability to provide seamless administrative processes and educational support services for students and other constituents. The College offers an affordable and flexible education that is comprehensive, innovative, technology rich and designed to meet the diverse education needs of constituents in Jefferson County.

In the Spring of 2022, the College developed plans to upgrade HVAC equipment. These upgrades were undertaken with the remaining HEERF II-HBCU and American Rescue Plan (ARP) funds provided and evolved to include improvements to existing facilities. The College received approval from the U. S. Department of Education to undertake major renovations to four (4) instructional facilities that are over fifty (50) years old. These renovations were approved by the Alabama Community College System Board of Trustees, let for bid and are currently underway.

During fiscal year 2023, the College expended over $31 million for building renovations for instructional facilities in addition to securing over $2 million for instructional equipment to upgrade Biology and Natural Science Programs, Automotive Programs, Allied Health Programs, Industrial Maintenance and Welding Programs, as well as Workforce Training instructional programs. The College seeks to provide educational experiences for students to expose them to current trends in technology as they matriculate into the workforce. The College's focus is on the use of technology, and acquisition of instructional and non-instructional equipment to enhance services and increase its ability to attract future students.

On April 19, 2023 the Alabama Community College System Board of Trustees approved a new mission statement for the College which states, "With a focus on student success, Lawson State Community College provides affordable and accessible quality educational opportunities, promotes economic growth, and enhances the quality of life for the diverse communities it serves. Through innovative instruction and lifelong learning opportunities, the College prepares students for college transfer, gainful employment, and career advancement." In keeping with the mission statement, the Fall 2023 term experienced an eight percent (8%) increase in student enrollment by headcount resulting in a four and one-half percent (4.5%) increase in credit hour production. The Fall 2023 and Spring 2023 retention and persistence data reflected increases in student retention and persistence over the prior year Fall and Spring terms. The College increased its community outreach efforts to provide students, prospective students and the community it serves with events that embodied stewardship, service and unity.

Overview of the Financial Statements and Financial Analysis

The purpose of the financial statements is to provide readers with financial information about the activities and financial condition of the College. There are three financial statements presented: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. These statements should be read in conjunction with the notes to the financial statements. The following summary and management discussion of the results is intended to provide the readers with an overview of the financial statements.

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the fiscal year. The statement of net position is a point of 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 the College. The College's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) is one indicator of the College's financial health. Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

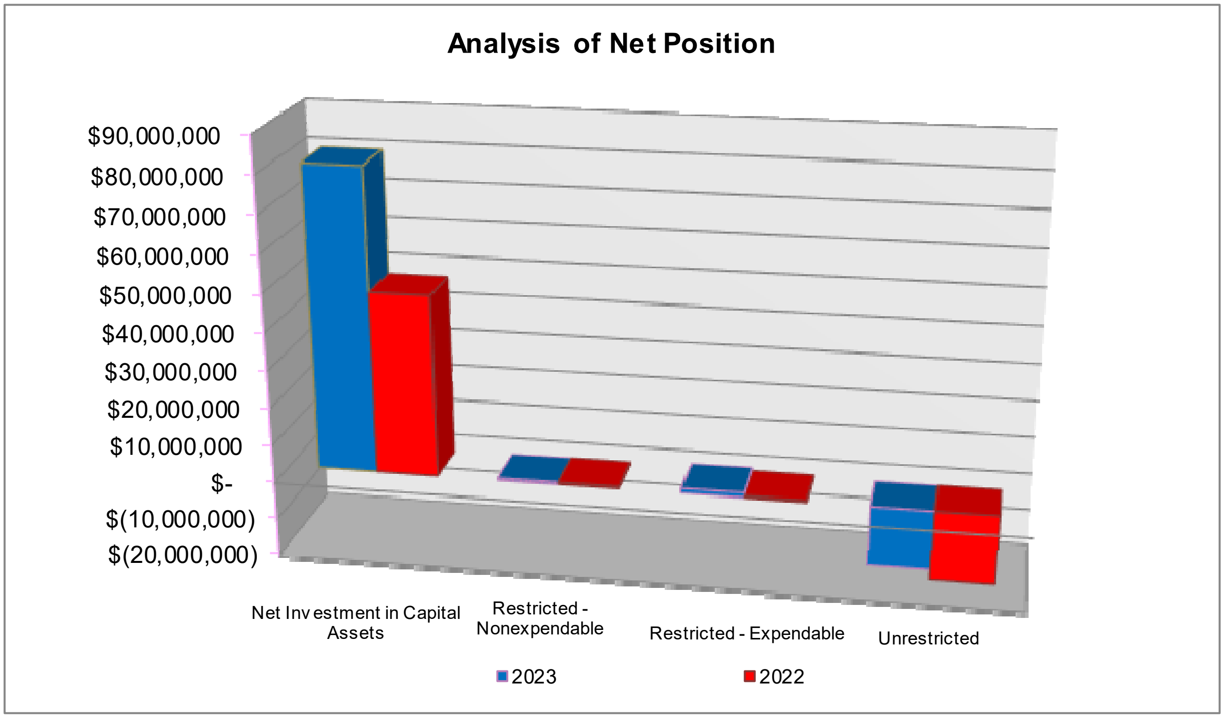
From the data presented, readers of the statement of net position can determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, bond holders and lending institutions. Finally, the statement of net position provides a picture of the net position and its availability for expenditure by the College.

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

Condensed Statements of Net Position

	2023	2022
ASSETS AND DEFERRED OUTFLOWS		
Current assets	$ 26,860,426	$ 20,643,068
Capital assets, net	83,637,161	51,762,215
Other assets	2,385,422	2,756,783
Deferred outflows	13,565,989	8,334,039
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 126,448,998	$ 83,496,105
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	$ 8,991,635	$ 5,989,560
Noncurrent liabilities	35,917,187	30,882,665
Deferred inflows	14,846,294	16,160,081
TOTAL LIABILITIES AND DEFERRED INFLOWS	59,755,116	53,032,306
NET POSITION		
Net investment in capital assets	80,586,593	48,188,062
Restricted – nonexpendable	597,500	597,500
Restricted – expendable	1,329,166	496,661
Unrestricted	(15,819,377)	(18,818,424)
TOTAL NET POSITION	$ 66,693,882	$ 30,463,799

The condensed statement of net position shows that total assets and deferred outflows increased by $42,952,893. This is a result of an increase in accounts receivable related to state grants in the amount of $8,575,886, capital assets in the amount of $31,874,946 and deferred outflows of $5,231,950. Liabilities increased $8,036,597 with $5,518,711 attributable to an increase in pension and OPEB liabilities. These were a result of changes from the actuarial calculations for Governmental Accounting Standard Board (GASB) Statements 68 and 75. These estimates affected the deferred outflows of resources, deferred inflows of resources and noncurrent liabilities.



The chart shows the changes in net position compared to the prior year. Total net position increased $36,230,083. Of this amount, unrestricted net position increased by $2,999,048.

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 earned by the College, both operating and nonoperating, and the expenses incurred by the College, operating and nonoperating, and any other revenues, expenses, gains and losses earned or expended by the College.

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. 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 College.

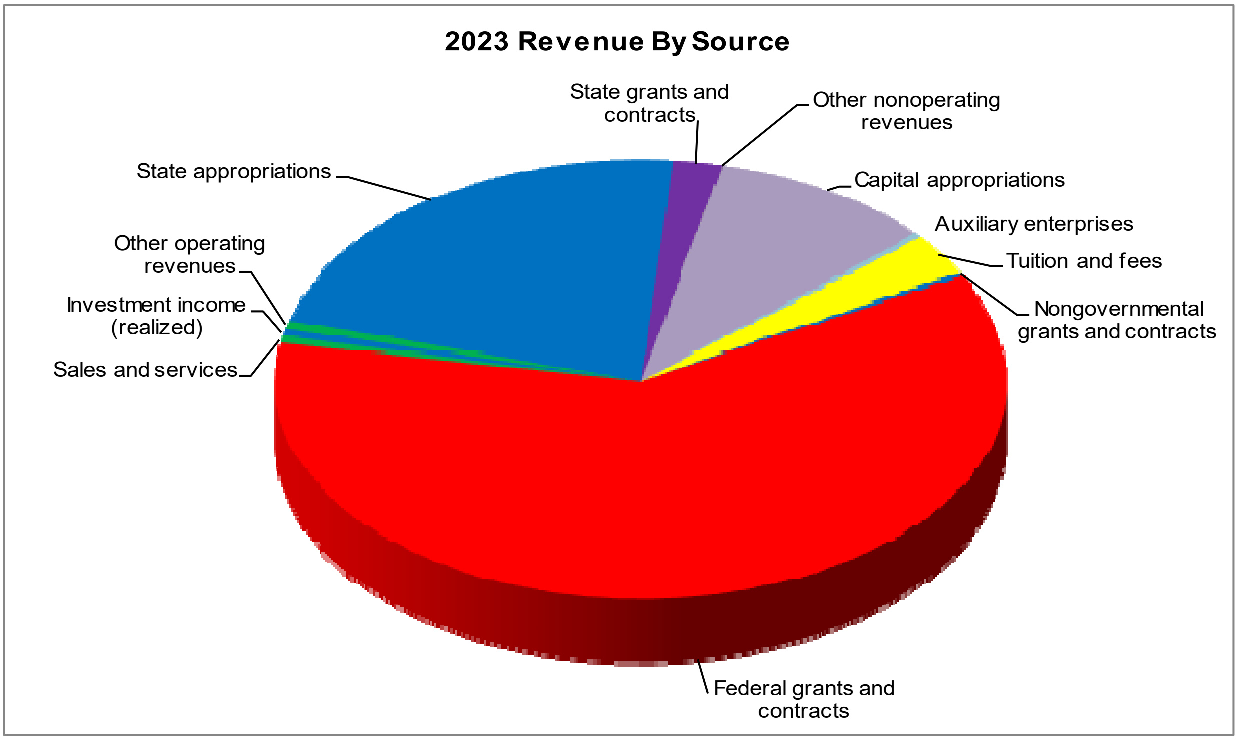
Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues. This will normally result in a public college showing an operating deficit because GASB Statement 35 classifies state appropriations and gifts as nonoperating revenues.

The statement of revenues, expenses and changes in net position reflects an increase in net position of $36,230,083. This is due primarily to the HEERF funds that were received for fiscal year 2023 and repurposed for construction projects.

Condensed Statements of Revenues, Expenses and Changes in Net Position

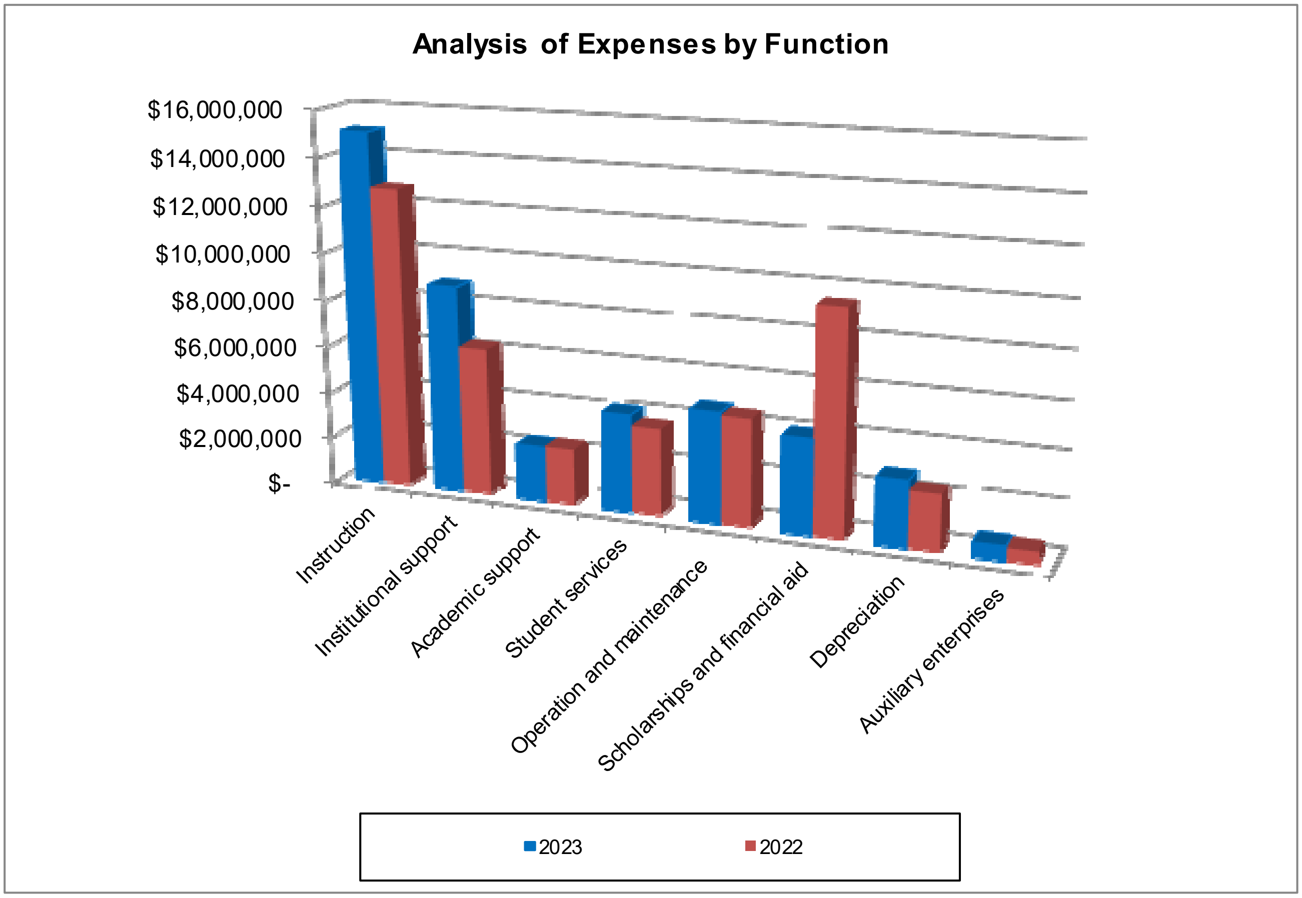
	2023	2022
OPERATING REVENUES	$ 42,610,571	$ 10,719,554
OPERATING EXPENSES	42,300,688	41,885,988
Operating income (loss)	309,883	(31,166,434)
NONOPERATING REVENUES (EXPENSES)	29,003,399	38,633,550
OTHER CHANGES IN NET POSITION		
Capital appropriations	7,913,091	-
Change in net position	37,226,373	7,467,116
NET POSITION		
Net position at beginning of year	30,463,799	22,339,364
Prior period adjustments	(996,290)	657,319
Net position at beginning of year, restated	29,467,509	22,996,683
Net position at end of year	$ 66,693,882	$ 30,463,799

The following is a graphic illustration of revenue by source for fiscal year 2023:



The chart illustrates revenues by source and their relationship with one another. Federal grants and contracts represent the largest type of operating revenue, followed by student tuition and fees. State appropriations represent the largest type of nonoperating revenue, followed by Federal grants and contracts. All other types of revenue represent less than 5% of the total revenue.

The following graph represents a comparison of fiscal years 2023 and 2022 operating expenses by function. Instructional expense represents about 30% of all operating expenses.



Statement of Cash Flows

The final statement presented by the College is the statement of cash flows which presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section shows cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing and noncapital financing purposes. The third section reflects 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 fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used for the operating income or loss reflected on the statement of revenues, expenses and changes in net position. Cash and cash equivalents increased $485,457 during the current fiscal year.

	2023	2022
Cash and cash equivalents provided by (used in):		
Operating activities	$ 6,508,379	$ (30,247,481)
Noncapital financing activities	26,495,351	34,035,357
Capital and related financing activities	(32,900,717)	(3,374,485)
Investing activities	382,444	102,212
Net increase in cash and cash equivalents	485,457	515,603
Cash and cash equivalents at beginning of year	8,626,174	8,110,571
Cash and cash equivalents at end of year	$ 9,111,631	$ 8,626,174

Economic Outlook

The College's overall financial position is strong. The College anticipates fiscal year 2024 will provide many opportunities and challenges as it seeks to increase student enrollment. The College continually positions itself to fulfill the in-demand occupations of our service area including office and administrative support, healthcare, food service industry, and construction and manufacturing. The College continues its commitment to use available resources to improve the College's ability to accomplish its missions of instruction and public service.

Sharon Crews
Vice President for Administrative and Fiscal Services

LAWSON STATE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 9,111,631
Deposit with bond trustee	115
Short-term investments	1,235,876
Accounts receivable, net	16,450,614
Inventory	62,190
Total current assets	26,860,426
NONCURRENT ASSETS	
Long-term investments	2,385,422
Capital assets:	
Land	2,628,595
Improvements	7,225,147
Buildings	72,582,206
Equipment and furniture	10,390,148
Library holdings	1,460,683
Construction in progress	33,634,136
Leased right-to-use assets	176,178
Subscription based IT arrangements	71,604
Less: accumulated depreciation	(44,531,536)
Total noncurrent assets	86,022,583
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	9,756,000
OPEB related items	3,808,264
Loss on bond refunding	1,725
Total deferred outflows of resources	13,565,989
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 126,448,998

See notes to the financial statements.

LAWSON STATE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 5,253,593
Unearned revenue	3,196,658
Compensated absences	50,000
Bonds payable	383,713
Lease payable	59,267
Subscriptions payable	35,541
Bond surety fee payable	12,863
Total current liabilities	8,991,635
NONCURRENT LIABILITIES	
Compensated absences	1,122,714
Deposit liabilities	446,975
Bonds payable	2,557,275
Lease payable	16,497
Net pension liability	28,916,000
OPEB liability	2,857,726
Total noncurrent liabilities	35,917,187
Total liabilities	44,908,822
DEFERRED INFLOWS OF RESOURCES	
Pension related items	2,997,000
OPEB related items	11,849,294
Total deferred inflows of resources	14,846,294
Total liabilities and deferred inflows	59,755,116
NET POSITION	
Net investment in capital assets	80,586,593
Restricted:	
Nonexpendable:	
Scholarships and fellowships	597,500
Expendable:	
Loans	12,282
Capital projects	785,010
Debt service	76,784
Instructional department uses	455,090
Unrestricted	(15,819,377)
TOTAL NET POSITION	$ 66,693,882

See notes to the financial statements.

LAWSON STATE 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 scholarships of $8,524,272)	$ 2,380,694
Federal grants and contracts	37,058,567
State and local grants and contracts	1,767,838
Nongovernmental grants and contracts	242,900
Sales and services of educational departments	388,637
Auxiliary enterprises	267,873
Other operating revenue	504,062
Total operating revenues	42,610,571
OPERATING EXPENSES	
Educational and General:	
Instruction	15,068,905
Institutional support	8,832,734
Academic support	2,341,164
Student services	4,105,649
Operation and maintenance of plant	4,633,352
Scholarships and financial aid	3,987,929
Depreciation	2,766,552
Auxiliary enterprises	564,403
Total operating expenses	42,300,688
Operating income	309,883
NONOPERATING REVENUES (EXPENSES)	
State appropriations	17,552,987
Federal grants	11,127,318
Investment income (net of investment expense)	425,014
Loss on investments	31,476
Interest on capital asset related debt	(77,590)
Bond surety fee expense	(64,999)
Other nonoperating revenue	9,193
Net nonoperating revenues (expenses)	29,003,399
Gain before other changes in net position	29,313,282
OTHER CHANGES IN NET POSITION	
Capital appropriations	7,913,091
CHANGE IN NET POSITION	
Change in net position	37,226,373
Net position at beginning of year, as previously reported	30,463,799
Prior period adjustments	(996,290)
Net position at beginning of year, as restated	29,467,509
Net position at end of year	$ 66,693,882

See notes to the financial statements.

LAWSON STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 2,260,824
Grants and contracts	42,209,398
Payments to suppliers	(12,165,676)
Payments for utilities	(2,105,872)
Payments for employees	(15,786,516)
Payments for employee benefits	(4,574,667)
Payments for scholarships	(3,987,929)
Auxiliary enterprises	191,229
Other receipts (payments)	467,588
Net cash provided by operating activities	6,508,379
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	16,411,141
Bond surety fee expenses	(75,439)
Federal grant revenue – nonoperating	1,306,011
Pell revenue	8,842,245
Other noncapital financing	11,393
Net cash provided by noncapital financing activities	26,495,351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Appropriations for capital projects	972,607
Purchases of capital assets	(33,380,477)
Principal paid on capital debt and leases	(593,767)
Interest paid on capital debt and leases	(107,537)
Other capital and related financing	210,657
Deposits with trustees	(2,200)
Net cash used in capital and related financing activities	(32,900,717)

See notes to the financial statements.

LAWSON STATE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	$	869,000
Purchase of investments		(911,000)
Investment income		424,444
Net cash provided by investing activities		382,444
NET INCREASE IN CASH AND CASH EQUIVALENTS		485,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8,626,174
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	9,111,631
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	309,883
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,766,552
Changes in assets and liabilities:		
Accounts receivable, net		3,506,386
Inventory		73,599
Prepaid expenses		26,241
Deferred outflows		(5,245,337)
Accounts payable and accrued liabilities		731,953
Unearned revenue		373,904
Deposits held for others		(27,096)
Compensated absences		(212,630)
Pension liability		10,569,000
OPEB liability		(5,050,289)
Deferred inflows		(1,313,787)
Net cash provided by operating activities	$	6,508,379

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lawson State 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 GASB in Statement Number 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if (1) it appoints a voting majority of an organization's governing body and 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.

Component Unit
Lawson State Community College Foundation, Inc. (Foundation) was incorporated as a non-profit corporation to promote scientific, literary, educational purposes, the advancement of the College, and for the encouragement and support of its students and faculty. This report contains no financial statements of the Foundation. Unaudited financial statements of the Foundation reported net assets of $1,034,677 at September 30, 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 resources are available.

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

Subsequent Events
Management has evaluated subsequent events through January 17, 2024, which is the date the financial statements were issued.

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 students, federal grants, state grants, third party tuition and auxiliary enterprise sales, such as food service and residence halls. The receivables are shown net of allowance for doubtful accounts. During fiscal year 2023, the Alabama Community College System adopted a standard method of calculating the allowance for doubtful accounts, which was implemented by the College.

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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 applicable 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 revenue.

Pensions
Employees of the College are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System of Alabama (TRS or the Plan). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Postemployment Benefits Other Than Pensions (OPEB)
The Alabama Retired Education Employees' Health Care Trust (the Trust) financial statements are prepared 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.

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

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

- Restricted nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.

- Restricted 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 representing 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Subscription-Based Information Technology Arrangements

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 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.

Management Estimates and Assumptions

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

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.

2. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits – Continued

The statement of net position classification “cash and cash equivalents” includes all readily available cash such as petty cash, demand deposits and certificates of deposit 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. 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 College.

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% of the College’s total investment portfolio. Maximum maturity of these securities shall be ten years. 2) U. S. Agency securities shall have limitations of 50% of the College’s total investment portfolio for each agency, with two exceptions: TVA and SLMA shall be limited to 10% 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% of the College’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% of the College’s total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years. 6) The College may enter into a repurchase agreement so long as: (a) the repurchase securities are legal investments under state law for colleges; (b) the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and (c) the College has entered into signed contracts with all approved counterparties. 7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

2. DEPOSITS AND INVESTMENTS – CONTINUED

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 are 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*, Section 19-3C-1 and following.

The College's investments consisted of the following as of September 30, 2023:

U.S. Treasuries	$ 3,406,180
Money market funds	215,118
Total	$ 3,621,298

Investment Risk Factors
Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk
Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

The College's investments in U. S. Treasury Notes held a Moody's rating of "AAA" and a Standard & Poor's rating of "AA+."

2. DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

At September 30, 2023, the maturity dates of the College's debt instruments were as follows:

	Investment Maturities at Fair Value (in Years)			
Type of Investment	Less Than 1	1 - 5 Years	More Than 5	Totals
U.S. Treasuries	$ 1,020,758	$ 2,385,422	$ -	$ 3,406,180

The College's Endowment Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

Investment	Maximum Maturity
U.S. Treasury Bills, Notes, Bonds and Stripped Treasuries	10 years
U.S Agencies	10 years
Certificates of deposit	5 years
Mortgage-backed securities and mortgage-related securities	7 years (aggregate average life) 10 years (average life maturity of any one security)

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College has no formal policy limiting the amount of securities that can be held by counterparties.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formal investment policy which limits investment in any one issuer to less than 5%. However, the College's investments are in investment pools.

Investment	Percentage of Investment
Stripped treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificates of deposit	No limit
Mortgage-backed securities and mortgage-related securities	50%

2. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits with Trustees

At September 30, 2023, the College had $115 in accounts administered by its bond trustees. The funds were invested in a Fidelity Money Market Fund which is rated “Aaa-mf” by Moody’s and “AAAm” by Standard & Poor’s.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

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

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

Investments by Fair Value Level	At 9/30/2023	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
U.S. Government Guaranteed	$ 3,406,180	$ 3,406,180	$ -	$ -
Money market account	215,118			
Total	$ 3,621,298			

3. RECEIVABLES

Receivables are reported net of uncollectible amounts and are summarized as follows:

Federal	$ 5,405,688
Student	2,494,548
State	9,022,278
Third-party	1,233,847
Other	122,420
	18,278,781
Allowance for doubtful accounts	(1,828,167)
Total	$ 16,450,614

4. CAPITAL ASSETS

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

	Balance 10/1/22	Prior Period Adjustments	Balance 10/1/22 as Restated	Additions	Reductions/ Transfers	Balance 9/30/23
Capital assets, not being depreciated:						
Land	$ 2,628,595	$ -	$ 2,628,595	$ -	$ -	$ 2,628,595
Construction in progress	1,875,790	(17,205)	1,858,585	32,040,503	(264,952)	33,634,136
Total capital assets, not being depreciated	4,504,385	(17,205)	4,487,180	32,040,503	(264,952)	36,262,731
Capital assets, being depreciated:						
Improvements other than buildings	7,225,147	-	7,225,147	-	-	7,225,147
Buildings and building alterations	72,317,256	-	72,317,256	-	264,950	72,582,206
Equipment and furniture	7,009,742	88,103	7,097,845	3,302,894	(10,591)	10,390,148
Library holdings	1,460,683	-	1,460,683	-	-	1,460,683
Leased right-to-use assets	174,167	-	174,167	23,904	(21,893)	176,178
Subscription based IT arrangements	-	-	-	71,604	-	71,604
Total capital assets, being depreciated	88,186,995	88,103	88,275,098	3,398,402	232,466	91,905,966
Less accumulated depreciation for:						
Improvements other than buildings	5,870,426	1,484	5,871,910	171,966	-	6,043,876
Buildings and building alterations	28,390,708	846,662	29,237,370	1,646,091	-	30,883,461
Equipment and furniture	5,262,990	83,067	5,346,057	817,923	(10,593)	6,153,387
Library holdings	1,349,448	(62,908)	1,286,540	35,967	-	1,322,507
Leased right-to-use assets	55,593	-	55,593	67,092	(21,893)	100,792
Subscription based IT arrangements	-	-	-	27,513	-	27,513
Total accumulated depreciation	40,929,165	868,305	41,797,470	2,766,552	(32,486)	44,531,536
Total capital assets, being depreciated, net	47,257,830	(780,202)	46,477,628	631,850	264,952	47,374,430
Total capital assets, net	$ 51,762,215	$ (797,407)	$ 50,964,808	$ 32,672,353	$ -	$ 83,637,161

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at September 30, 2023:

Payroll expense	$ 780,400
Interest payable	32,062
Trade payables	3,907,574
Other accrued expenses	533,557
Total	$ 5,253,593

6. LONG-TERM LIABILITIES

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

	Balance 10/1/22	Additions	Reductions	Balance 9/30/23	Current Portion
Bonds payable:					
2012 Series Revenue Bonds	$ 490,000	$ -	$ 490,000	$ -	$ -
2021 Series Revenue Bonds	2,670,000	-	-	2,670,000	345,000
Bond premium	309,701	-	38,713	270,988	38,713
Total bonds	3,469,701	-	528,713	2,940,988	383,713
Other liabilities					
Compensated absences	1,286,897	83,337	197,520	1,172,714	50,000
Leases	119,564	23,904	67,704	75,764	59,267
Subscription based IT arrangements	-	71,605	36,064	35,541	35,541
Total long-term liabilities	$ 4,876,162	$ 178,846	$ 830,001	$ 4,225,007	$ 528,521

On November 1, 2012, the State Board of Education issued the 2012 Series Revenue Bonds in the amount of $5,690,000. The 2012 Series Revenue Bonds are payable over 10 years with an interest rate of 2.0% to 2.625%. The proceeds were used to advance refund the 2003A Series Revenue Bonds and the 1998A Series Revenue Bonds. The 2012 Series Revenue Bonds were paid off in the current year.

On July 21, 2021, the College issued the 2021 Series Revenue Bonds in the amount of $2,670,000. The 2021 Series Revenue Bonds are payable over 10 years with an interest rate of 3.0% to 4.0%. The proceeds were used to refund the 2007 Series Bonds. The 2007 Series Bonds were issued to provide funding to finance a portion of the costs of acquiring, constructing, and equipping various capital improvements to facilities of the College and paying the expenses of issuing the bonds.

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

6. LONG-TERM LIABILITIES – CONTINUED

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

	2021 Series Revenue Bonds		
	Principal	Interest	Total
2024	$ 345,000	$ 92,250	$ 437,250
2025	360,000	81,900	441,900
2026	370,000	71,100	441,100
2027	380,000	60,000	440,000
2028	390,000	48,600	438,600
2029-2033	825,000	49,800	874,800
Total	$ 2,670,000	$ 403,650	$ 3,073,650

Pledged Revenues

The College has pledged tuition and fees, excluding technology fees, for the payment of debt service on the 2012 Series Revenue Bonds. The principal and interest payments made during the period were $502,863. Therefore, of the $2,438,387 in tuition and fee revenue pledged by the College during fiscal year 2023, 20.62% was needed for debt service on the 2012 Series Revenue Bonds.

The College has pledged tuition, facility renewal, and building fees for the payment of debt service on the 2021 Series Revenue Bonds. The principal and interest payments made during the period were $90,250. Therefore, of the $2,277,565 in tuition and fee revenue pledged by the College during fiscal year 2023, 4.05% was needed for debt service on the 2021 Series Revenue Bonds.

Lease Liability

The College leases office equipment from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2025. In accordance with GASB Statement No. 87, the College records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the College’s incremental borrowing rate. The interest rates range from 0.47% percent to 2.54%.

6. LONG-TERM LIABILITIES – CONTINUED

Lease Liability – Continued
Future minimum payments under the lease agreements and the present value of the minimum payments as of September 30, 2023, are as follows:

	Principal	Interest	Total
2024	$ 59,267	$ 740	$ 60,007
2025	16,497	237	16,734
Total	$ 75,764	$ 977	$ 76,741

Subscriptions Payable
The College has subscription-based technology arrangements which expire in 2024. In accordance with GASB Statement No. 96, the College records a right-to-use asset and subscriptions payable based on the present value of expected payments over the subscription. The expected payments are discounted using the interest rate charged on the subscription which is 3.3780%.

Future minimum payments under the subscription agreements and the present value of the minimum payments as of September 30, 2023, are as follows:

	Principal	Interest	Total
2024	$ 35,541	$ 602	$ 36,143

7. DEFINED BENEFIT PENSION PLAN

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

7. 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 are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

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

Participating employers' contractually required contribution rate for the fiscal 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. Total employer contributions to the pension plan from the System were $1,799,000 for the year ended September 30, 2023.

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 $28,916,000 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 0.18607%, which was a decrease of 0.00870% from its proportion measured as of September 30, 2021.

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

For the year ended September 30, 2023, the College recognized pension expense of $1,610,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 636,000	$ 702,000
Net difference between projected and actual earnings on pension plan investments	5,802,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	207,000	2,295,000
Change of assumptions	1,312,000	-
Employer contributions subsequent to measurement date	1,799,000	-
	$ 9,756,000	$ 2,997,000

The $1,799,000 reported as deferred outflows of resources related to pensions resulting from the 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 ending September 30,	
2024	$ 1,345,000
2025	972,000
2026	504,000
2027	2,139,000
2028	-
Thereafter	-
	$ 4,960,000

7. 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%
Projected salary increases	3.25 - 5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 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 Forward (+) Set Back (-)	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

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.

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
	100.00%	

* Includes assumed rate of inflation of 2.0%

Discount Rate

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

Sensitivity of the 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 Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	$ 37,416,000	$ 28,916,000	$ 21,756,000

7. DEFINED BENEFIT PENSION PLAN – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial 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/index.php/employers/financial-reports/gasb-68-reports/.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Benefits Provided

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Benefits Provided – Continued

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible 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.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Contributions

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

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

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

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

At September 30, 2023, the College reported a liability of $2,857,726 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 0.16401% which was an increase of 0.01095% from its proportion measured as of September 30, 2021.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

For the year ended September 30, 2023, the College recognized OPEB expense of ($1,904,445) 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
Difference between expected and actual experience	$ 131,067	$ 5,778,087
Changes of assumptions	2,318,006	4,159,592
Net difference between projected and actual earnings on OPEB plan investments	359,386	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	780,953	1,911,615
Employer contributions subsequent to the measurement date	218,852	-
	$ 3,808,264	$ 11,849,294

The $218,852 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 ending September 30,	
2024	$ (2,114,220)
2025	(2,134,450)
2026	(1,145,780)
2027	(1,012,307)
2028	(1,194,935)
Thereafter	(658,190)
	$ (8,259,882)

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions

The total OPEB 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%
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	6.50%
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 trends are set based on negotiated increases through calendar year 2025.

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

Group	Membership Table	Set Forward (+) Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee – Below Median	None	65%
Service Retirees	Teacher – Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69-74
Disabled Retirees	Teacher – Disability	Male: +8, Female: +3	None
Beneficiaries	Teacher Contingent Survivor – Below Median	Male: +2, Female: None	None

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions – 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 September 30, 2021 valuation.

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

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

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

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

* Geometric mean, includes 2.5% inflation

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – CONTINUED

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. 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 active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022, and it is assumed that the amount 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 are projected through 2120.

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

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

	1% Decrease (5.50% decreasing to 3.50% for Pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Trend Rate (6.50% decreasing to 4.50% for Pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (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	$ 2,167,019	$ 2,857,726	$ 3,704,813

8. 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	$ 3,533,156	$ 2,857,726	$ 2,290,723

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, 2023. The supporting actuarial information is included in the GASB Statement Number 75 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

9. SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College had been awarded approximately $17,857,000 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.

10. RISK MANAGEMENT AND CONTINGENCIES

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, Vice-President, Director of Accounting and Finance and Financial Aid Director as well as other College personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the 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.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. This amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

11. PRIOR PERIOD ADJUSTMENTS

The beginning net position was adjusted for the following errors related to the prior period.

Understatement of cash and cash equivalents	$	24,541
Understatement of accounts receivable		17,443
Overstatement of capital assets		(797,407)
Overstatement of accounts payable and accrued expenses		267,502
Understatement of unearned revenue		(409,921)
Understatement of compensated absences		(98,448)
	$	(996,290)

12. EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the College.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes accounting and financial reporting for each category of accounting change and error corrections. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*. This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
College's proportion of the net pension liability	0.20835%	0.20898%	0.21282%	0.21698%	0.21746%	0.21246%	0.21734%	0.19476%	0.18607%
College's proportionate share of the collective net pension liability	$ 18,927,000	$ 21,789,000	$ 23,148,000	$ 21,326,000	$ 21,622,000	$ 23,491,000	$ 26,884,000	$18,347,000	$28,916,000
College's covered payroll during the measurement period	$ 15,353,000	$ 15,221,000	$ 15,892,000	$ 14,375,000	$ 14,358,000	$ 15,834,000	$ 15,314,000	$14,405,000	$14,252,000
College's proportionate share of the net pension liability as a percentage of its covered payroll	123.28%	143.15%	145.66%	148.35%	150.59%	148.36%	175.55%	127.37%	202.89%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%	62.21%

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

Note to Schedule
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. The covered payroll for this Required Supplementary Information Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2021 – 9/30/2022.

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS – PENSION (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 1,408,000	$ 1,607,000	$ 1,699,000	$ 1,728,000	$ 1,826,000	$ 1,847,000	$ 1,708,000	$ 1,732,000	$ 1,799,000
Contributions in relation to the contractually required contribution	$ 1,408,000	$ 1,607,000	$ 1,699,000	$ 1,728,000	$ 1,826,000	$ 1,847,000	$ 1,708,000	$ 1,732,000	$ 1,799,000
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 15,221,000	$ 15,892,000	$ 14,375,000	$ 14,357,000	$ 15,836,000	$ 14,955,000	$ 14,094,000	$14,252,000	$14,790,000
Contributions as a percentage of covered payroll	9.25%	10.11%	11.82%	12.04%	11.53%	12.35%	12.12%	12.15%	12.16%

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

Notes to Schedule

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. The covered payroll for this Required Supplementary Information Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2022 – 9/30/2023.

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.

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2018	2019	2020	2021	2022	2023
College's proportion of collective net OPEB liability	0.19044%	0.18985%	0.19358%	0.16577%	0.01531%	0.16401%
College's proportionate share of the collective net OPEB liability	$ 14,144,944	$ 15,603,416	$ 7,303,475	$ 10,758,177	$ 7,908,018	$ 2,857,726
College's covered payroll during the measurement period	$ 14,238,277	$ 14,185,103	$ 14,362,757	$ 14,740,780	$ 14,274,709	$ 14,701,935
College's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	99.34%	110.00%	50.85%	72.98%	55.40%	19.44%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	15.37%	14.84%	28.14%	19.80%	27.11%	48.39%

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

Note to Schedule

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 Required Supplementary Information Schedule (GASB 75 paragraph 97) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2021 – 9/30/2022.

LAWSON STATE COMMUNITY COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS – OPEB (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 466,069	$ 550,574	$ 323,007	$ 260,943	$ 313,315	$ 218,852
Contributions in relation to the contractually required contribution	$ 466,069	$ 550,574	$ 323,007	$ 260,943	$ 313,315	$ 218,852
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 14,185,103	$ 14,362,757	$ 14,740,780	$ 14,701,935	$ 14,701,935	$ 1,799,000
Contributions as a percentage of covered payroll	3.29%	3.83%	2.19%	1.77%	2.13%	12.17%

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

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 or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

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.

3. METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 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
Asset Valuation Method	Market value of assets
Inflation	2.75%
Health Care Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 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 2022.