

Bishop State Community College
Mobile, Alabama

Financial Statements
September 30, 2022

Bishop State Community College
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September 30, 2022

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Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Charles Jones, Acting President – Bishop State Community College
Mobile, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bishop State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and related notes to the financial statements which collectively comprise Bishop State Community 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 Bishop State Community College, as of September 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bishop State Community College and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bishop State Community 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of Bishop State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on Bishop State Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bishop State Community College's internal control over financial reporting and compliance.

KASSOUF & CO., P.C.

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

Certified Public Accountants

January 17, 2023

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**

Overview of the Financial Statements and Financial Analysis

Bishop State Community College is proud to present its financial statements for fiscal year 2021-2022. The emphasis of discussion about these statements will be on current year data and a comparative analysis with prior year data. 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. The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. The financial data represents the operation of the Main, Carver, Central and Southwest Campuses of Bishop State Community College.

Statement of Net Position

The Statement of Net Position presents the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position of the College as of the end of the fiscal year, September 30, 2022. 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 Bishop State Community College. The financial statements present end of year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and Net Position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, investors and lending institutions. In summary, the Statement of Net Position provides a picture of the net position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows) and their 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 resources. The final category is unrestricted net position which is available to the College for any appropriate purpose of the College.

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**

Statement of Net Position	2021-2022	2020-2021	Change
Assets:			
Current Assets	\$ 28,772,563	\$ 30,818,384	\$ (2,045,821)
Capital Assets, Net	60,563,482	45,669,871	14,893,611
Other Assets	353,666	372,639	(18,973)
Total Assets	89,689,711	76,860,894	12,828,817
Deferred Outflow of Resources	7,309,958	8,951,064	(1,641,106)
Liabilities:			
Current Liabilities	8,266,210	6,888,019	1,378,191
Non-current Liabilities	43,040,877	52,346,841	(9,305,964)
Total Liabilities	51,307,087	59,234,860	(7,927,773)
Deferred Inflow of Resources	14,340,685	9,887,082	4,453,603
Net Position:			
Net Investment in Capital Assets	41,403,980	26,809,296	14,594,684
Restricted - Expendable	-	3,432,619	(3,432,619)
Restricted -Non-Expendable	152,060	151,880	180
Unrestricted	(10,204,143)	(13,703,779)	3,499,636
Total Net Position	\$ 31,351,897	\$ 16,690,016	\$ 14,661,881

The College assets show an increase of \$12,523,679. Liabilities show a decrease of \$7,938,055. This increase in assets is primarily due to the purchase of new equipment in preparation of new facilities and construction in progress. Liabilities decreased as bond funds were expended and the Advance Manufacturing Center was booked as an asset to the College.

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 revenue received by the College (both operating and non-operating), and the expenses paid by the College (both operating and non-operating).

Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021

Statement of Revenues Expenses and Changes in Net Position

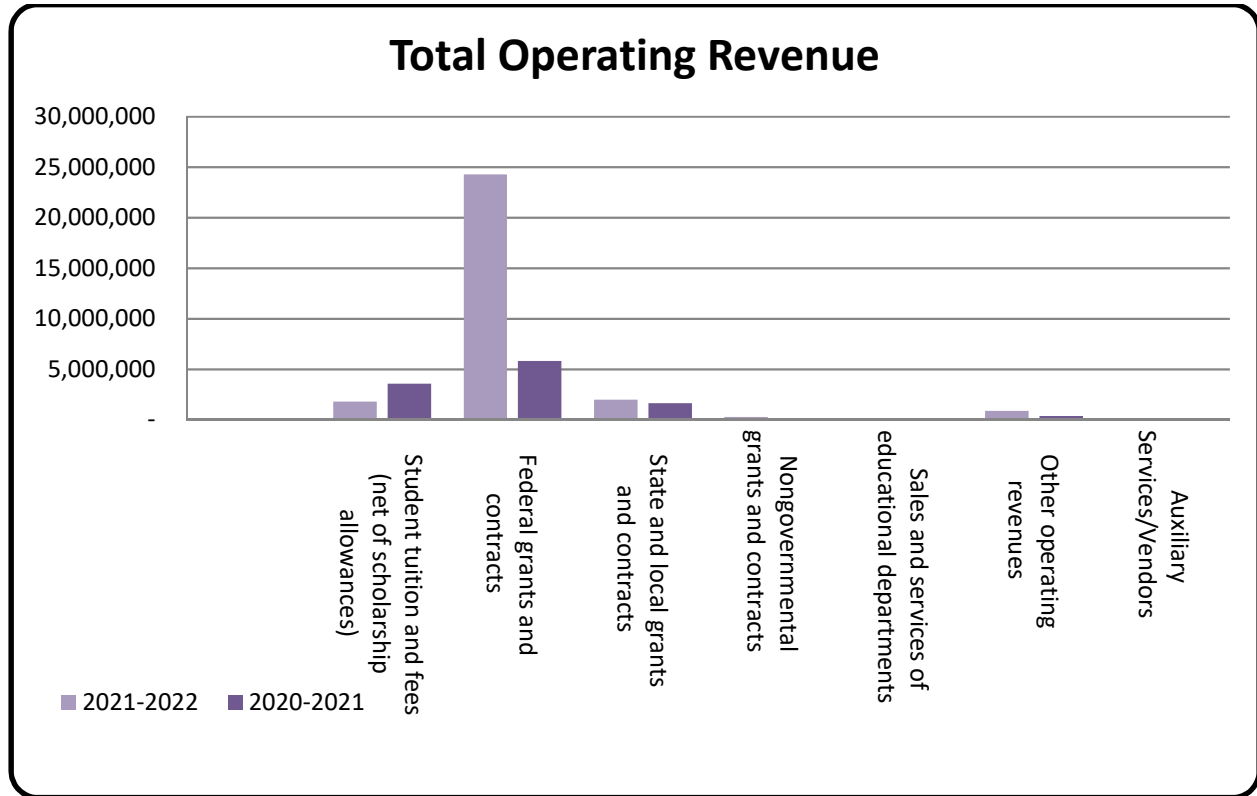
	2021-2022	2020-2021	Change
Operating revenues	\$ 29,233,418	\$ 11,624,653	\$ 17,608,765
Operating expenses	(38,192,357)	(35,850,866)	(2,341,491)
Operating loss	(8,958,939)	(24,226,213)	15,267,274
Non-operating revenues	24,511,715	31,357,615	(6,845,900)
Non-operating expenses	(890,895)	(612,292)	(278,603)
Change in net position	14,661,881	6,519,110	8,142,771
Net Position at Beginning of Year	16,690,016	10,130,200	6,559,816
Restatement of Beginning Net Position	-	40,706	(40,706)
Net Position at End of Year	\$ 31,351,897	\$ 16,690,016	\$ 14,367,024

Operating expenses increased due to the campus operations resuming and the increased funding provided by HEERF and ARP dollars to ramp up on-line course offerings and strategic staffing management, along with an economic price increase in many products and electricity. The decrease in revenues comes from the reduction in funds from the Federal Care and HERFF grant support during the pandemic.

OPERATING REVENUES	2021-2022	2020-2021	Change
Student tuition and fees (net of scholarship allowances)	\$ 1,815,617	\$ 3,588,339	\$ (1,772,722)
Federal grants and contracts	24,279,496	5,833,521	18,445,975
State and local grants and contracts	1,985,504	1,644,125	341,379
Nongovernmental grants and contracts	275,705	33,390	242,315
Sales and services of educational departments	-	84,700	(84,700)
Other operating revenues	877,096	369,372	507,724
Auxiliary Services/Vendors	-	71,206	(71,206)
	\$ 29,233,418	\$ 11,624,653	\$ 17,608,765

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**

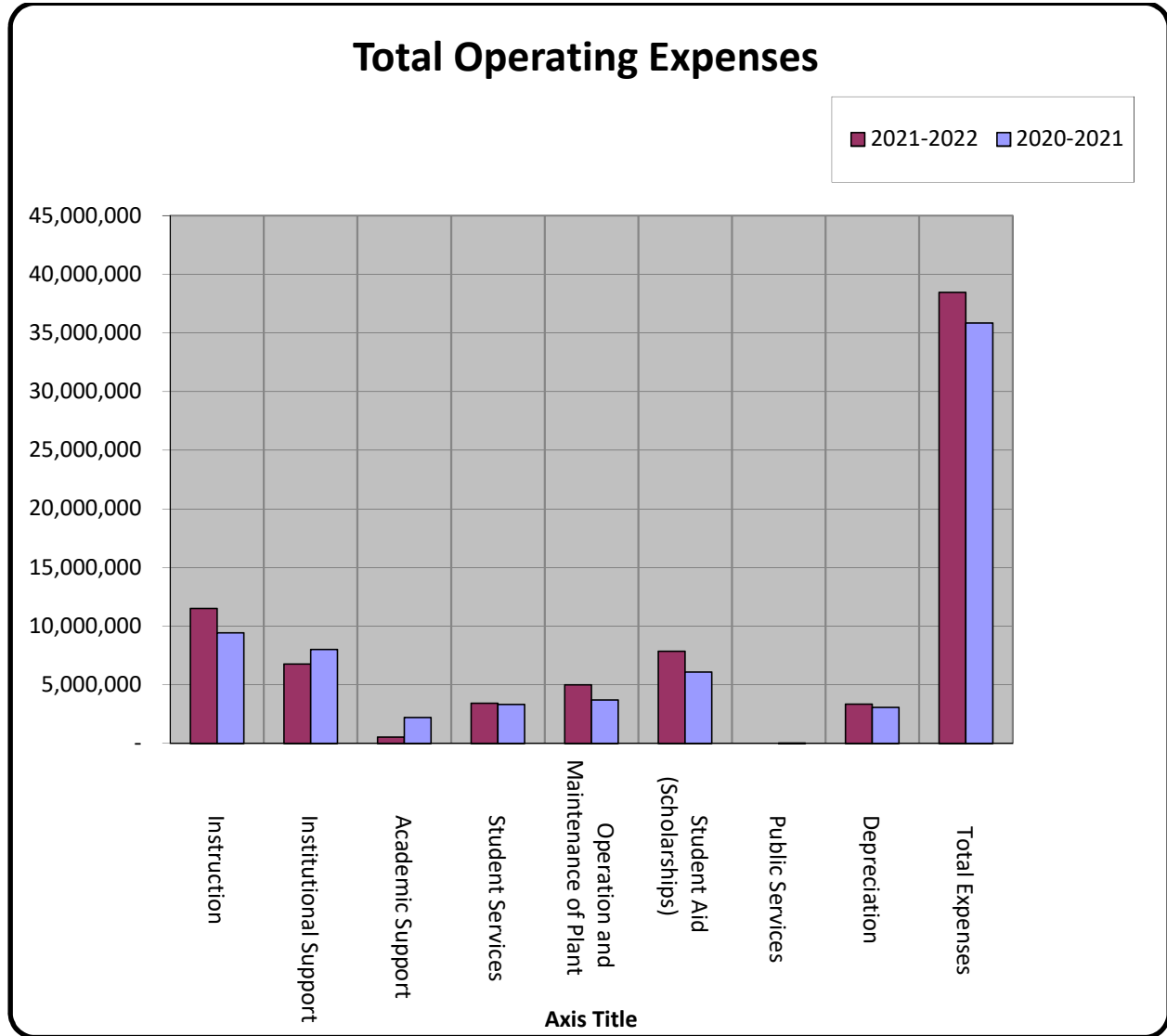
Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented in the charts below:



Operating Expenses are detailed below:

	2021-2022	2020-2021
Instruction	\$ 11,492,327	\$ 9,433,712
Institutional Support	6,761,541	8,010,781
Academic Support	487,115	2,217,587
Student Services	3,350,077	3,323,601
Operation and Maintenance of Plant	4,884,763	3,703,401
Scholarships and Financial Aid	7,858,415	6,082,445
Public Service	-	10,329
Depreciation	3,358,119	3,069,010
	<u>\$ 38,192,357</u>	<u>\$ 35,850,866</u>

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**



The above charts display operating revenues by type and their relationships with one another, and operating expenses by function and their relationships with one another.

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**

Statement of Cash Flows

The Statement of Cash Flows 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 reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchase, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Net Change in Cash was a decrease of \$1,345,752 which was increased expenditures related to construction in progress and funds from 2019 Bond Funds and HEERF and ARP federal funds.

Cash Flows for the year September 30, 2022

Cash provided (used) by:

Operating Activities	\$ (7,056,823)
Non-Capital Financial Activities	24,447,107
Capital and Related Financing Activities	(18,092,007)
Investing Activities	<u>(20,162)</u>
Net Change in Cash	(721,885)
Cash and cash equivalents, beginning of year	<u>16,886,598</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,164,713</u></u>

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2022 and 2021**

Economic Outlook

The Alabama Community College System Board of Trustees approved two major construction projects for the College in February 2019. These projects will allow the College to offer state-of-the-art instruction in Health Sciences and in Manufacturing Skills. Nearly 13 percent of Mobile's workforce is employed in the healthcare sector. Area hospitals include general facilities, a children's and women's hospital, a private mental health hospital and a rehabilitation hospital. Mobile is also home to a cancer research center. The new Health Science Facility will be located where the current Main Campus library is consisting of approximately 27,000 square feet of renovated space. The College is also building a world-class Advanced Manufacturing Center that will allow the College to help train a workforce to meet the needs of businesses and industry in this region. The College will offer programs supported and even created by area companies using state-of-the-art, industry-approved equipment. Students, incumbent workers, and career-change candidates will be equipped with the knowledge and technical skills needed to become successfully employed in Mobile's high wage, high-demand, and high-tech economy. The Advanced Manufacturing Center consists of new construction of approximately 45,000 square feet and renovation of the adjacent Administration Building.

The College is prepared to meet the needs of the high wage and high demand jobs in this region for many years to come. This has made the economic outlook of the College very good.

The College has been able to remain steady and increase with major construction project ongoing. The Cares and HERFF funds assisted in stabilizing the College through the effects of the pandemic. Bishop is poised to offer state of the art programs as facilities finish up and students get back to normal routines.

Bishop State Community College
Statement of Net Position
September 30, 2022

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 16,164,713
Accounts Receivable	
Net of allowance for doubtful accounts of \$6,539,049	12,287,667
Inventories	11,067
Other Current Assets	309,116
Total Current Assets	<u>28,772,563</u>
Non-Current Assets	
Long-term investments	173,385
Endowment investments	180,281
Capital assets:	
Land	1,597,090
Improvements Other Than Buildings	4,141,160
Buildings & Building Alterations	76,897,524
Equipment & Furniture	18,089,563
Art Collections	3,700
Library Holdings	2,526,732
Construction in Progress	1,107,608
Leased Right of Use Assets	21,566
Less: Accumulated Depreciation	(43,821,461)
Total Capital Assets, Net of Depreciation	<u>60,563,482</u>
Total Non-Current Assets	<u>60,917,148</u>
Total Assets	<u>89,689,711</u>
Deferred Outflow of Resources	
Pension	4,408,000
Other Postemployment Benefit (OPEB)	2,836,733
Other Deferred Outflow	65,225
Total Deferred Outflow of Resources	<u>\$ 7,309,958</u>

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

Bishop State Community College
Statement of Net Position
September 30, 2022

Liabilities and Net Position

Current Liabilities

Deposits	\$ 292,923
Accounts payable and accrued liabilities	3,030,486
Unearned revenue	4,308,559
Compensated Absences	164,242
Bonds Payable	470,000
Total Current Liabilities	<u>8,266,210</u>

Non-current Liabilities

Compensated Absences	544,271
Lease Payable	19,502
Bonds Payable	18,670,000
Net Pension	15,911,000
Net OPEB Liability	6,714,000
Other Noncurrent Liabilities	1,182,104
Total Non-current Liabilities	<u>43,040,877</u>

Total Liabilities	<u>51,307,087</u>
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Deferred Inflow of Resources

Pensions	6,862,000
Other Postemployment Benefit (OPEB)	7,478,685
Total Deferred Inflow of Resources	<u>14,340,685</u>

Net Position

Invested in Capital Assets, Net of Related Debt and Depreciation	41,403,980
Restricted For:	
<i>Nonexpendable</i>	
Scholarships and fellowships	152,060
Unrestricted	(10,204,143)
Total Net Position	<u>\$ 31,351,897</u>

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

Bishop State Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2022

Operating Revenues

Student tuition and fees (Net of scholarship allowances of \$8,235,130)	\$ 1,815,617
Federal grants and contracts	24,279,496
State and local grants and contracts	1,985,504
Nongovernmental grants and contracts	275,705
Other operating revenues	877,096
Total Operating Revenues	<u>29,233,418</u>

Operating Expenses

Instruction	11,492,327
Institutional Support	6,761,541
Academic Support	487,115
Student Services	3,350,077
Operation and Maintenance of Plant	4,884,763
Scholarships and Financial Aid	7,858,415
Depreciation	3,358,119
Total Operating Expenses	<u>38,192,357</u>

Operating Loss

(8,958,939)

Non-Operating Revenues (Expenses)

State appropriations	16,276,582
Federal grants and contracts	8,058,007
Gifts	105,143
Investment income (net of investment expense)	26,090
Unrealized gain/loss on investments	45,893
Interest debt payments	(854,619)
Bond Surety Fee expense	(36,276)
Total Non-Operating Revenues (Expenses)	<u>23,620,820</u>

Change in Net Position

14,661,881

Net Position - Beginning of Year

16,690,016

Net Position - End of Year

\$ 31,351,897

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

Bishop State Community College
Statement of Cash Flows
For the Year Ended September 30, 2022

Cash Flows from Operating Activities

Tuition and Fees	\$ (1,193,802)
Grants and Contracts	29,423,105
Payments to Suppliers	(9,325,983)
Payments for Utilities	(1,602,977)
Payments for Employees	(21,223,029)
Payments for Benefits	4,184,866
Payments for Scholarships	(7,858,415)
Other Receipts	539,412
Net Cash Used by Operating Activities	<u>(7,056,823)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	16,276,582
Bond Surety Fee Expense	(36,276)
Gifts and Grants For Other Than Capital Purposes	105,144
Federal Grant Revenue-Nonoperating	8,058,007
Other Noncapital Financing	43,650
Net Cash Provided by Noncapital Financing Activities	<u>24,447,107</u>

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets and Construction	(18,251,730)
Principal Paid on Capital Debt and Leases	(459,065)
Interest Paid on Capital Debt and Leases	(854,619)
Deposits with Trustees	2,045,508
Other Capital and Related Financing	(572,101)
Net Cash Used by Capital and Related Financing Activities	<u>(18,092,007)</u>

Cash Flows from Investing Activities

Investment Income	(46,252)
Purchase of Investments	26,090
Net Cash Used by Investing Activities	<u>(20,162)</u>

Net Decrease in Cash and Cash Equivalents

(721,885)

Cash and Cash Equivalents-Beginning of the Year

16,886,598

Cash and Cash Equivalents - End of Year

\$ 16,164,713

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

Bishop State Community College
Statement of Cash Flows
For the Year Ended September 30, 2022

Reconciliation of Operating Income to Net Cash Used by Operating Activities

Operating Loss	\$ (8,958,939)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,358,119
Changes in Assets and Liabilities:	
Receivables (Net)	(453,448)
Inventory	38,544
Other Assets	66,347
Deferred Outflows	1,641,106
Accounts Payable	1,906,509
Unearned Revenue	(253,217)
Deposits Held for Others	246
Compensated Absences	(294,196)
Pension Liability	(6,397,000)
OPEB Liability	(2,164,497)
Deferred Inflows	4,453,603
Net Cash Used by Operating Activities	<u><u>\$ (7,056,823)</u></u>

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

Bishop State Community College
Notes to Financial Statements
September 30, 2022

Note 1. Summary of Significant Accounting Policies

The financial statements of Bishop 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 Governmental Accounting Standards Board (GASB) states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

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. The College has determined that all federal grant and contracts (excluding Pell grants), state grants and contracts, local grants and contracts and nongovernmental grants and contracts, which are not designated for the purchase of capital assets, will be considered operating revenue. 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, gifts, and Pell grants.

Cash, Cash Equivalents, and Investments

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

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

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

Receivables

Accounts receivable relate to amounts due from federal and state grants, state appropriations, third party tuition, and bookstore sales. The receivables are shown net of allowance for doubtful accounts.

Inventories

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

Capital Assets

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

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

Deferred Outflows of Resources

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

Long-Term Obligations

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

Compensated Absences

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

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

Deferred Inflows of Resources

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

Unearned Tuition and Fee Revenue

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

Restricted

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

Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

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

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 alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

New Accounting Pronouncements – Implemented

In June 2017, the GASB issued Statement Number 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 1. Summary of Significant Accounting Policies – Continued

In June 2018, the GASB issued Statement Number 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

In January 2020, the GASB issued Statement Number 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics and includes the following: Statement Number 87, Statement Number 73, Statement Number 74, Statement Number 84, and other topics. The application of this statement is expected to provide more comparable reporting and improve the usefulness for financial statement users.

In March 2020, the GASB issued Statement Number 93, Replacement of Interbank Offered Rates (IBOR). The objective of this statement is to address accounting and financial reporting implications resulting from global reference rate reform. Government agreements in which variable payments made or received depend on IBOR, most notably the London Interbank Offered Rate (LIBOR), will be affected, as LIBOR will cease to exist at the end of 2021. Rate provisions in Statements 53 and 87 will also be affected.

In May 2020, the GASB issued Statement Number 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This is accomplished by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for reporting periods beginning after June 15, 2018 and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement Numbers 83, 84, 88, 89, 90, 91, 92, 93, and Implementation Guide Numbers 2017-3, 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: Statement Numbers 87 and Implementation Guide Number 2019-3.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 2. Deposits and Investments

Deposits

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

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

Investments

The College may invest its funds in securities and investments authorized by the *Code of Alabama 1975*, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the College may 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 of the United States of America that meet specified criteria. The College's investment policy permits investments in the following: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries 2) U. S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 2. Deposits and Investments – Continued

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 2. Deposits and Investments – Continued

As of September 30, 2022, the College had the following investments and maturities:

Certificates of Deposit totaling \$180,281 are included in the amounts reported as Investments on the Statement of Net Position. These accounts are covered under the SAFE program and not subject to risk categorization or disclosure.

Investment in Equity Securities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Stock	\$ 173,385	No Maturity
Total	<u>\$ 173,385</u>	

To the extent available, the College's investments are recorded at fair value as of September 30, 2022. GASB Statement Number 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 2. Deposits and Investments – Continued

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

		Assets at Fair Value as of September 30, 2022		
		Quoted Prices in Active Markets Identical for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>Equity Securities:</u>				
Domestic Common and Preferred Stock	\$ 173,385	\$ 173,385	-	-
Total Equity Securities	173,385	\$ 173,385	\$ -	\$ -
Certificate of Deposits	180,281			
Total	<u>\$ 353,666</u>			

Note 3. Receivables

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

<u>Accounts Receivable:</u>	
Federal	\$ 8,131,168
State	590,137
Other	603,589
Tuition and Fees	9,501,822
Less: Allowance for Doubtful Accounts	(6,539,049)
Total Accounts Receivables, Net	<u>\$ 12,287,667</u>

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Land	\$ 1,597,090	\$ -	\$ -	\$ 1,597,090
Improvements other than Buildings	4,141,160	-	-	4,141,160
Buildings	39,090,228	25,502,482	-	64,592,710
Building Alterations	10,048,148	2,256,666	-	12,304,814
Construction in Progress	18,768,570	8,105,367	(25,766,329)	1,107,608
Equipment greater than \$25,000	6,452,471	6,363,704	17,335	12,833,510
Equipment less than \$25,000	3,518,842	1,754,546	(17,335)	5,256,053
Library Holdings	2,513,003	13,729	-	2,526,732
Art Collections	3,700	-	-	3,700
Right to Use Assets	-	21,566	-	21,566
Total Capital Assets	86,133,212	44,018,060	(25,766,329)	104,384,943
Less Accumulated Depreciation				
Improvements other than Buildings	2,180,586	131,281		2,311,867
Buildings	30,239,953	1,019,541		31,259,494
Building Alterations	156,834	588,188		745,022
Equipment greater than \$25,000	2,968,392	1,015,939	3,034	3,987,365
Equipment less than \$25,000	2,861,704	525,137	(3,034)	3,383,807
Library Holdings	2,055,873	75,445		2,131,318
Right to Use Assets	-	2,588		2,588
Total Accumulated Depreciation	40,463,342	3,358,119	-	43,821,461
Capital Assets, Net	\$ 45,669,870	\$ 40,659,941	\$ (25,766,329)	\$ 60,563,482

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan – Continued

Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation. Effective October 1, 2021, Tier 2 covered members were required by statute to contribute 6.2% of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7.2% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$1,477,719 for the year ended September 30, 2022.

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

At September 30, 2022, the College reported a liability of \$15,911,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the College's proportion was 0.168902%, which was a decrease of 0.011446% from its proportion measured as of September 30, 2020.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan – Continued

For the year ended September 30, 2022, the College recognized pension expense of \$315,000. At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollar amount in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 737	\$ 927
Changes of assumptions	1,670	-
Net difference between projected and actual earnings on pension plan investments	-	3,756
Changes in proportion and differences between employer contributions and proportionate share of contributions	531	2,179
Employer contributions subsequent to the measurement date	1,470	-
Total	<u>\$ 4,408</u>	<u>\$ 6,862</u>

The \$1,470,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2023	\$ (675)
2024	(677)
2025	(1,266)
2026	(1,306)
Total	<u>\$ (3,924)</u>

(Dollar Amounts in Thousands)

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan – Continued

Actuarial Assumptions

The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

(*) Net of pension plan investment expense

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan – Continued

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

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

Discount Rate

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

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:

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 5. Defined Benefit Pension Plan – Continued

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	\$23,420	\$15,911	\$9,587

(Dollar Amounts in Thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2021. The auditor's report dated August 19, 2022, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2021, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

Benefits Provided

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

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.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

At September 30, 2022, the College reported a liability of \$6,714,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the College's proportion was 0.129949%, which was a decrease of 0.006949% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the College recognized OPEB expense of \$(1,027,823) with no special funding situations. At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,859	\$ 2,335,890
Changes of assumptions	2,391,206	2,602,490
Net difference between projected and actual earnings on pension plan investments	-	209,440
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,930	2,330,865
Employer contributions subsequent to the measurement date	262,738	-
Total	<u>\$ 2,836,733</u>	<u>\$ 7,478,685</u>

The \$262,738 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, 2023.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

Year	Amount
2023	\$ (1,591,958)
2024	(1,227,330)
2025	(1,217,803)
2026	(378,041)
2027	(237,131)
Thereafter	(252,428)
Total	<u>\$ (4,904,691)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, 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	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at the Measurement Date	3.97%
Single Equivalent Interest Rate at the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

(1) Includes 2.75 % wage inflation

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

(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2020.

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

Asset Class	Target Allocation	Long-Term Expected Rate *
Fixed Income	30.0%	4.4%
U. S. Large Stocks	38.0%	8.0%
U. S. Mid Stocks	8.0%	10.0%
U. S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	15.0%	9.5%
Cash Equivalents	5.0%	1.5%
Total	100.0%	

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

Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2021, was 3.97%. The discount rate used to measure the total OPEB liability at the prior measurement date was 3.05%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% 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 2024. 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. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 6. Other Postemployment Benefits (OPEB) – Continued

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:

	<u>1% Decrease</u> (5.50% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible)	<u>Current Rate</u> (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	<u>1% Increase</u> (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	\$5,268,467	\$6,714,222	\$8,576,938

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

The following table presents the College's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u> (2.97%)	<u>Current Discount Rate</u> (3.97%)	<u>1% Increase</u> (4.97%)
College's proportionate share of collective net OPEB liability	\$8,258,790	\$6,714,222	\$5,475,308

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, 2021. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 7. Unemployment Compensation

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

The College had made excess advance payment to the Unemployment Compensation Trust Fund of \$37,726. This excess was allowed to remain in the fund to be applied to future quarterly advance payments.

Note 8. Commitments and Contingencies

As of September 30, 2022, Bishop State Community College had been awarded approximately \$40,346,181 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

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

Note 9. Accounts Payable

Accounts payable represent amounts due at September 30, 2022, for goods and services received prior to the end of the fiscal year.

Vendor and Suppliers	<u>\$ 3,030,486</u>
Total	<u>\$ 3,030,486</u>

Note 10. Compensated Absences

The financial statements were prepared in accordance with Financial Accounting Standards Board Statement 43, which requires recording the liabilities associated with compensated absences, if the amount can be estimated and payment is probable. For the fiscal year ended September 30, 2022, the amount of the College's total liability for compensated absences is \$708,512. At September 30, 2022, 33 employees were retired or terminated and the actual retirement/termination costs were \$153,507. Accrued expenses for compensated absences on employee's annual leave were \$36,576 for the fiscal year ended September 30, 2022.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 11. Leases

On February 25, 2022, Bishop State Community College entered into a 60 month lease as Lessee for the use of a Pitney Bowes Copier. An initial lease liability was recorded in the amount of \$21,566. As of September 30, 2022, the value of the lease liability is \$19,502. Bishop State Community College is required to make quarterly fixed payments of \$1,129 however only two payments were requested during current fiscal year. The lease has an interest rate of 1.9430%. The Equipment estimated useful life was zero months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of \$21,566 with accumulated amortization of \$2,588 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

As of September 30, 2022		
Asset Class	Lease Asset Value	Accumulated Amortization
Equipment	\$ 21,566	\$ 2,588
Total Leases	\$ 21,566	\$ 2,588

Principal and Interest Requirements to Maturity

September 30,	Principal Payments	Interest Payments	Total Payments
2023	\$ 4,188	\$ 327	\$ 4,515
2024	4,270	245	4,515
2025	4,354	161	4,515
2026	4,439	76	4,515
2027	1,123	5	1,128
Total	\$ 18,374	\$ 814	\$ 19,188

Note 12. Long-Term Debt

Long-term debt activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
Publicly Sold	\$18,670,000	\$ -	\$ -	\$18,670,000	\$ -
Direct Placement	927,000	-	457,000	470,000	470,000
Bond Premium	1,309,083	-	126,979	1,182,104	126,979
Total Bonds	\$20,906,083	\$ -	\$ 583,979	\$20,322,104	\$ 596,979

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 12. Long-Term Debt – Continued

Total interest expense for the Publicly Sold bond and Direct Placement bond was \$773,800 and \$14,119, respectively, for the fiscal year ended September 30, 2022.

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

Fiscal Years	<u>Publicly Sold Bonds</u>		<u>Direct Placement Bonds</u>		Total
	Principal	Interest	Principal	Interest	
2022-2023	\$ -	\$ 773,800	\$ 470,000	\$ 4,723	\$ 1,248,523
2023-2024	395,000	763,925	-	-	1,158,925
2024-2025	415,000	743,675	-	-	1,158,675
2025-2026	435,000	722,425	-	-	1,157,425
2026-2027	460,000	700,050	-	-	1,160,050
2027-2028	485,000	676,425	-	-	1,161,425
2028-2029	510,000	651,550	-	-	1,161,550
2029-2030	530,000	628,200	-	-	1,158,200
2030-2031	555,000	606,500	-	-	1,161,500
2031-2032	575,000	583,900	-	-	1,158,900
2032-2033	600,000	560,400	-	-	1,160,400
2033-2034	625,000	535,900	-	-	1,160,900
2034-2035	650,000	510,400	-	-	1,160,400
2035-2036	675,000	483,900	-	-	1,158,900
2036-2037	705,000	456,300	-	-	1,161,300
2037-2038	730,000	427,600	-	-	1,157,600
2038-2039	760,000	397,800	-	-	1,157,800
2039-2040	795,000	366,700	-	-	1,161,700
2040-2041	825,000	334,300	-	-	1,159,300
2041-2042	860,000	300,600	-	-	1,160,600
2042-2043	895,000	265,500	-	-	1,160,500
2043-2044	930,000	229,000	-	-	1,159,000
2044-2045	970,000	191,000	-	-	1,161,000
2045-2046	1,010,000	151,400	-	-	1,161,400
2046-2047	1,050,000	110,200	-	-	1,160,200
2047-2048	1,095,000	6,730	-	-	1,101,730
2048-2049	1,135,000	22,700	-	-	1,157,700
Total	\$ 18,670,000	\$ 12,200,880	\$ 470,000	\$ 4,723	\$ 31,345,603

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 12. Long-Term Debt – Continued

Bond Premium

The College has a bond premium in connection with the issuance of its 2019 Series Tuition Revenue Bonds. The bond premium is being amortized using the straight-line method over the life of the bonds.

	Premium
Total Premium	\$ 1,605,367
Amount Amortized Prior Years	(296,284)
Balance Premium	1,309,083
Current Amount Amortized	(126,979)
Balance Premium	<u>\$ 1,182,104</u>

Pledged Revenues

Pledged Revenues Bonds, Series 2019

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Tuition Revenue Bonds Series 2019 issued May 2019 in the amount of \$18,670,000, with an interest rate of 5.00%, for the purposes of providing funding to finance the construction of the new Advanced Manufacturing Center, Health Science Facility, and other miscellaneous improvements on the College's main campus in Mobile. Pledged revenues in the amount of \$8,693,008 were received with \$773,800 or 8.90% being used to pay interest. These bonds are scheduled to mature in fiscal year 2049.

Bonds, Series 2015 – Direct Placement Bonds

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Refunding Revenue Bond 2015 issued April 2015 in the amount of \$3,552,000, with an interest rate of 2.01% in for the purpose of refunding the Revenue Bonds Series 2003. Pledged revenues in the amount of \$8,693,008 were received with \$471,119 or 5.42% being used to pay principal and interest. These bonds are scheduled to mature in fiscal year 2023.

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 13. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the President, Chief Financial Officer, and Financial Aid Director as well as on all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

Note 14. Related Parties

Bishop State Community College Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and educational purpose, the advancement of Bishop State Community College, and for the encouragement and support of its students and faculty. There were no significant transactions between the College and the Foundation during the audit period. This report contains no financial statements of Bishop State Community College Foundation, Inc.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2022

Note 15. Subsequent Events

The College has evaluated subsequent events through January 17, 2023, the date which the financial statements were available to be issued.

Required Supplementary Information

Bishop State Community College
Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.168902%	0.180348%	0.197637%	0.189797%	0.181386%	0.205949%	0.226727%	0.235663%
College's proportionate share of the net pension liability	\$ 15,911	\$ 22,308	\$ 21,853	\$ 18,871	\$ 17,827	\$ 22,296	\$ 23,729	\$ 21,409
College's covered payroll during the measurement period (*)	\$ 11,255	\$ 12,268	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094	\$ 15,713
College's proportionate share of the net pension liability as a percentage of its covered payroll	141%	182%	173%	153%	126%	162%	157%	136%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2022, the measurement period for covered payroll is October 1, 2020 through September 30, 2021.

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

Bishop State Community College
Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,470	\$ 1,478	\$ 1,555	\$ 1,549	\$ 1,526	\$ 1,548	\$ 1,550	\$ 1,617
Contributions in relation to the contractually required contribution	\$ 1,470	\$ 1,478	\$ 1,555	\$ 1,549	\$ 1,526	\$ 1,548	\$ 1,550	\$ 1,617
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 11,255	\$ 12,268	\$ 12,644	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094
Contributions as a percentage of covered payroll	13.06%	12.05%	12.30%	12.25%	12.41%	10.97%	11.28%	10.71%

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2022, the measurement period for covered payroll is October 1, 2020 through September 30, 2021.

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.

Bishop State Community College
Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.129949%	0.136898%	0.163155%	0.165406%	0.164590%
College's proportionate share of the net OPEB liability (asset)	\$ 6,714	\$ 8,884	\$ 6,155	\$ 13,594	\$ 12,225
College's covered payroll during the measurement period (*)	\$ 11,255	\$ 12,075	\$ 10,960	\$ 11,310	\$ 11,804
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	59.65%	73.57%	56.16%	120.19%	103.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2022 year is October 1, 2020 through September 30, 2021.

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

Bishop State Community College
Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2022
(Dollar amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 263	\$ 224	\$ 266	\$ 460	\$ 409
Contributions in relation to the contractually required contribution	<u>\$ 263</u>	<u>\$ 224</u>	<u>\$ 266</u>	<u>\$ 460</u>	<u>\$ 409</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 11,255	\$ 12,268	\$ 12,075	\$ 10,960	\$ 11,310
Contributions as a percentage of covered-employee payroll	2.34%	1.83%	2.20%	4.20%	3.62%

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

Bishop State Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB)
For the Year Ended September 30, 2022

Note 1. Changes in Actuarial Assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price inflation	2.50%
Investment return	7.00%
Wage inflation	2.75%
Mortality rates (pre-retirement, post-retirement, healthy and disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019.
Retirement rates	Deceased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.
Disability rates	Lowered rates of disability retirement at most ages.
Salary increases	No change to total assumption rates of salary increases, but increased merit salary by 0.25% to offset the recommended decrease in wage inflation assumption by 0.25%.

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

Note 2. Recent Plan Changes

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

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

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

Bishop State Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB) – Continued
For the Year Ended September 30, 2022

Note 3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2021, is determined based on the actuarial valuation as of September 30, 2018. 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	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible
	2024 for Medicare Eligible
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 2019.	



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

Jimmy Baker, Chancellor – Alabama Community College System
Charles Jones, Acting President – Bishop State Community College
Mobile, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bishop State Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Bishop State Community College's basic financial statements and have issued our report thereon dated January 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Bishop State Community College's Response to Findings

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

Purpose of this Report

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

KASSOUF & CO., P.C.

A handwritten signature in dark ink that reads "Kassouf & Co." in a cursive, stylized font.

Certified Public Accountants

January 17, 2023

**Bishop State Community College
Schedule of Findings and Questioned Costs
September 30, 2022**

Summary of Auditor's Results

Financial Statements

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

Financial Statement Findings (GAGAS)

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

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

Finding

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

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

Recommendation

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

Views of Responsible Officials of the Auditee

Bishop State Community College agrees to Finding 2022-001.

**Bishop State Community College
Summary Schedule of Prior Audit Findings
September 30, 2022**

Findings and Questionable Costs – Financial Statement Findings (GAGAS)

Reference Number: 2021-003
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

Bank authorizations were not updated when key officials terminated employment.

Finding

Internal control is a process affected by those charged with governance, management and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objective with regard to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Internal controls over cash should include a periodic review of employee's access to bank accounts. Banks commonly require signature card authorizations to be completed by an authorized employee from the College. These forms indicate who is authorized to perform banking transactions. These forms should be updated timely when personnel changes occur. Periodic review of bank access helps the College to maintain accountability for cash and minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

The College did not remove an employee's signature authorization to perform banking actions in a timely manner. Signature card authorization were reviewed, and it was determined that key officials who departed employment were still listed as authorized signers on two of the College's bank accounts. Test revealed that up through February 7, 2022, the prior President and prior Dean of Finance, whom both departed employment in July 2021, were still listed as authorized signers on one of the college's "Federal and Non-Federal funds" account. Test also revealed that up through May 17, 2022, the prior President, Dean of Finance, and a Comptroller, who departed employment in September 2020, were listed as authorized users on a "payroll clearing" account.

Recommendation

The College should ensure that all banking authorizations are updated timely when employees depart from the College.

Corrective action was taken.

Bishop State Community College
Summary Schedule of Prior Audit Findings – Continued
September 30, 2022

Findings and Questionable Costs – Financial Statement Findings (GAGAS)

Reference Number: 2021-004
Type of Finding: Internal Control
Internal Control Impact: Significant Deficiency
Compliance Impact: None

The College failed to post salary accruals for instructors' salaries at year-end.

Finding

Paragraph 1600.103 of the Codification of *Governmental Accounting and Reporting Standards* states, "The statement of net assets and the statement of activities should be prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and nonexchange transactions should be recognized when the exchange takes place." Paragraph 1600.102 states that under the accrual basis of accounting, most transaction are recognized when they are occur, regardless of when cash is received or disbursed.

At fiscal year end the College had instructors who earned salary and benefits that would not be paid until the next fiscal year. Accrual accounting requires the amounts owed to these employees be calculated and reported on the financial statements. Due to a lack of properly implemented internal controls, the College calculated an amount for salary and wages payable but failed to post the calculation to the general ledger and report the amount on the financial statements. The College's failure to recognize and record the expenses and liabilities resulted in errors in the financial statements.

Recommendation

The College should implement internal controls to ensure year-end accruals are properly posted to the general ledger and reported on the financial statements.

Corrective action was taken.

Bishop State Community College
Corrective Action Plan
For the Year Ended September 30, 2022

Financial Statement Findings (GAGAS)

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

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

Finding

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

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

Recommendation

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

Views of Responsible Officials of the Auditee

Bishop State Community College agrees to Finding 2022-001.

Corrective Action Plan

Bishop State recognizes that compensated absences were overstated from previous year funds placed into accounts that did not get reversed. Bishop State has condensed these funds and corrected the general ledger to not use these campus funds when completing balance sheet entries. Only shared service fund will be used for balance sheet entries, eliminating the risk of missed accounts in the monthly reconciliation process. Those accounts not reconciled have been reconciled and assigned to an accountant. Monthly verification of reconciliation will occur by the Director of Accounting or the CFO. Additionally, a procedure review is occurring on how best to capture year end payables that come after October and once the financial statements have been started.

Anticipated Completion Date:

2/1/2023

Contact Person(s):

Jessica Davis, Chief Financial Officer

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