

**John C. Calhoun Community College
Financial Statements
September 30, 2022**

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PART I
FINANCIAL STATEMENTS



Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Jimmy Hodges, Interim President – John C. Calhoun Community College
Decatur, Alabama

Opinion

We have audited the accompanying financial statements of John C. Calhoun Community College (the “College”), a component unit of the State of Alabama, and its discretely presented component unit, Calhoun College Foundation, Inc. (“the Foundation”), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, as listed in the table of contents.

In our opinion,, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2022, and the 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.

We did not audit the financial statements of the Foundation, which represent 100% of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Calhoun College Foundation, Inc., is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1, the College implemented GASB 87 *Leases* during the year ended September 30, 2022. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility 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 opinions. 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 GAAS 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions, as listed in the table of contents, 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 GAAS, 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 Information

Management is responsible for the other information included in the report. The other information comprises the listing of College Officials, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Mauldin & Jenkins, LLC

Athens, AL
January 17, 2023

Overview of the Financial Statements and Financial Analysis

This section of John C. Calhoun Community College's Annual Financial Report represents management's discussion and analysis of the College's financial activity during the fiscal years ended September 30, 2021, and September 30, 2022. 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.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College. 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 John C. Calhoun Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Deferred Outflow of Resources, Liabilities (current and non-current), Deferred Inflow of Resources, and Net Position (Assets and Deferred Outflow of Resources minus Liabilities and Deferred Inflows of Resources). The difference between current and non-current 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 institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution.

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

John C. Calhoun Community College
Management's Discussion and Analysis
September 30, 2022

Statement of Net Position (thousands of dollars)

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets:				
Current Assets	\$ 72,559	\$ 70,046	\$ 2,513	3.59%
Noncurrent Assets, Net	<u>127,392</u>	<u>119,181</u>	<u>8,211</u>	6.89%
Total Assets	199,951	189,227	10,724	5.67%
 Deferred Outflow of Resources	 17,431	 20,665	 (3,234)	 -15.65%
Liabilities:				
Current Liabilities	19,134	19,345	(211)	-1.09%
Noncurrent Liabilities	<u>70,847</u>	<u>89,379</u>	<u>(18,532)</u>	-20.73%
Total Liabilities	89,981	108,724	(18,743)	-17.24%
 Deferred Inflow of Resources	 23,522	 13,179	 10,343	 78.48%
Net Position:				
Net Invested in Capital Assets	99,783	101,922	(2,139)	-2.10%
Restricted	6,508	1,360	5,148	378.53%
Unrestricted	<u>(2,412)</u>	<u>(15,293)</u>	<u>12,881</u>	-84.23%
Total Net Position	\$ 103,879	\$ 87,989	\$ 15,890	18.06%

This schedule is prepared from the College's statement of net position which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Assets

Current assets consist of cash and cash equivalents, short term investments, accounts receivable, deposits with bond trustees, and other current assets. Total assets increased \$10.7 million, consisting of \$2.5 million from current assets and \$8.2 million from noncurrent assets. The largest increase in assets was Building & Alterations, \$14.49 million, mainly due to the completion of the Huntsville Wall & Roof Project in 2022. The largest decrease in assets was \$8.4 million in Construction in Progress, again due to projects completing and transferring the capitalized Building account. Another significant decrease in assets came from a reduced Deposit with Trustee balance of \$1.67 million, down from \$3.5 million in the previous year. Overall accounts receivable increased by \$1.35 million, mainly due to a \$1.7 million PSCA reimbursement due at year end for construction related costs for the Alabama Center for the Arts Student Housing. Investment securities of \$4.7 million were purchased in the fiscal year 2022 due to improved interest rate returns compared to the previous year.

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of assets by the government that is applicable to a future reporting period. The \$3.2 million decrease in Deferred Outflow of Resources is due to a decrease in both pensions (\$1.67 million) and other post-employment benefits (\$1.4 million), along with a decrease from a loss on bond refunding of \$140,554. The decrease in deferred outflows related to pensions and other post-employment benefits are due to the change in values during the 2020-2021 fiscal year. This deferred outflow of resources represents the portion of the pension liability already paid by Calhoun for the fiscal year 2021-2022. The deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended September 30, 2023.

Current Liabilities

Current liabilities consist of deposits, accounts payable, unearned revenue, the current portion of compensated absences, the current portion of long-term liabilities, and other current liabilities. Current liabilities decreased by \$210,543.

Noncurrent Liabilities

Noncurrent liabilities consist of principal amounts due on bonds, notes, and leases, unfunded pensions, and the noncurrent portion of compensated absences. Noncurrent liabilities decreased by \$18.5 million due mainly to a \$3.7 million decrease in Bonds Payable, a \$11.2 million decrease in Net Pension Liability, and a \$3.56 million decrease in Net OPEB Liability. The net OPEB liability, required by GASB 75, 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 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. The net pension liability decrease of \$11.2 million was required by GASB 68.

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of assets by the government that is applicable to a future reporting period. The Deferred Inflow of Resources increased by \$10.3 million due to a \$9.5 million increase in pensions and a \$801,067 increase in post-employment benefits. Pension related assets and liabilities are based on the annual actuarial valuation which may fluctuate significantly for such factors as changes in plan experience or changes in economic or demographic assumptions.

Net Position

Net position represents the residual value in the College's assets after all liabilities are deducted. Overall Net Position increased by \$15.9 million due to several factors including a \$8.67 million addition in capital assets, a net decrease in Pension/OPEB liabilities of \$4.5 million (including deferred inflows) and \$4.7 million increase in investment assets.

GASB 68 and 75 effects on the financial statements

The College adopted Governmental Accounting Standards Board (GASB) Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending September 30, 2018. The provisions of this statement establish accounting and financial standards for OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts. The adoption of this statement has a significant impact on the College's financial statements. This liability had previously been reported in the Teacher's Retirement System financial statements and not on each participating institution's statements. The establishment of this liability on the college's statements in 2018 had a negative impact on the total reported Net Position, mostly due to the required \$22.3 million restatement of net position and the associated recognition of liabilities, deferred inflows and deferred outflows. Readers of the financial statements must understand that this new reporting requirement does not change the college's cash position, credit worthiness, or overall financial health. The college's financial ability to fund daily operations, meet debt obligations, and allocate necessary resources to achieve stated goals and objectives remains strong. GASB 75 simply shifts the reporting of this existing liability to each member institution. The college's annual expenditures allocated for pension expenses did not increase due to GASB 75, nor did its future obligations for such. GASB 75 also did not change the college's excellent credit rating of A1 as reported by Moody's Investor Services. More detailed information regarding the calculation and reporting requirements of GASB 75 can be found in the Notes to the Financial Statements.

The College adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*, in the fiscal year ending September 30, 2015. This required reporting change also had a negative impact on the College's net position. GASB 68 requires the recognition of future unfunded pension liabilities by each state and local governments, which is similar to the GASB 75 requirement to recognize unfunded OPEB. This liability had previously been reported in the Teacher's Retirement System financial statements and not on each participating institution's statements. Readers of the financial statements must understand that this reporting requirement does not change the college's cash position, credit worthiness, or overall financial health. The college's financial ability to fund daily operations, meet debt obligations, and allocate necessary resources to achieve stated goals and objectives remains strong. The college's annual expenditures allocated for pension expenses did not increase due to GASB 68, nor did its future obligations for such. GASB 68 also did not change the college's excellent credit rating of A1 as reported by Moody's Investor Services. More detailed information regarding the calculation and reporting requirements of GASB 75 can be found in the Notes to the Financial Statements.

Neither GASB 68 nor GASB 75 changed the college's cash position, credit rating, or overall financial health. If readers compared current financial statements to those prior to 2015, net position is significantly different largely due to GASB 68 and 75 reporting requirements, not a shift in the financial health of 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 revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

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

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

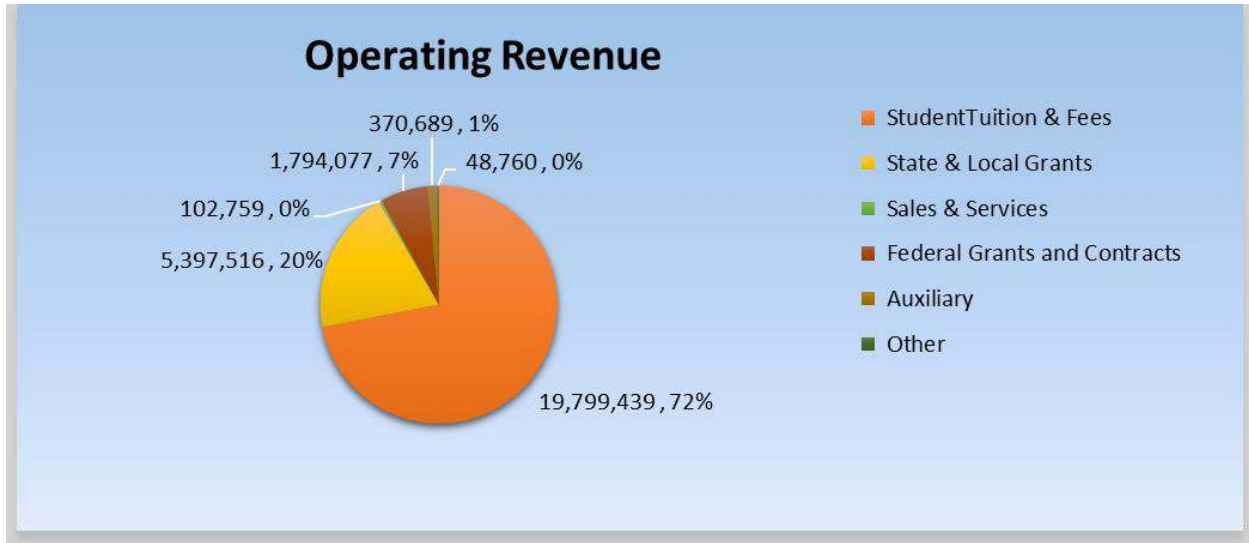
	2022	2021	Increase (Decrease)	Percent Change
Operating Revenues	\$ 27,513	\$ 25,914	\$ 1,599	6.17%
Operating Expenses	(70,437)	(77,528)	7,091	-9.15%
Operating Loss	(42,924)	(51,614)	8,690	-16.84%
Non-Operating Revenues and Expenses	57,275	55,326	1,949	3.52%
Other Revenues	1,539	543	996	183.43%
Increase in Net Position	15,890	4,255	11,635	273.44%
Net Position at Beginning of Year	87,989	83,733	4,256	5.08%
Net Position at End of Year	\$ 103,879	\$ 87,988	\$ 15,891	18.06%

Operating Revenues

Total Operating Revenue increased by \$1.6million, largely due to a \$1.97 million increase in State grants. Student tuition of \$19.8 million represents the largest type of operating revenue followed by state grant revenue. Gross tuition revenue remained steady from the previous year, however a larger portion of the tuition and fees was paid by financial aid sources which has to be listed as an allowance and resulted in a decrease in net tuition of \$742,133.

John C. Calhoun Community College
Management's Discussion and Analysis
September 30, 2022

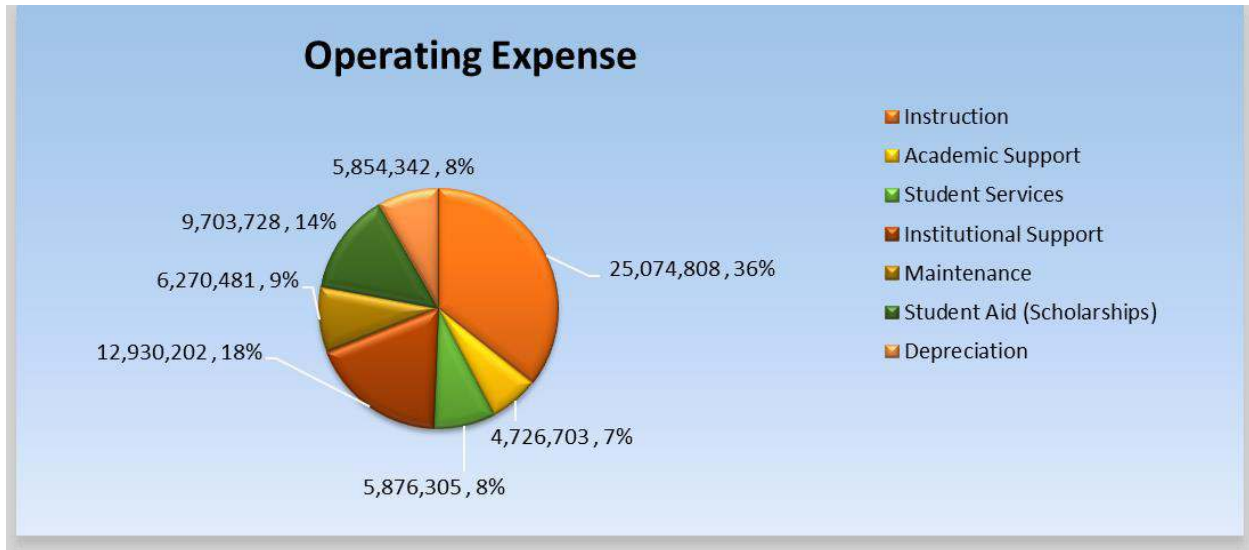
The below chart displayed in thousands of dollars, the operating revenues by type and their relationship with one another. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:



Operating Expenses

Operating expenses decreased by \$7 million,, largely due to a \$5.97 million decrease in Student Aid and Scholarships. This decrease was mainly due to \$9.5 million CARES Act Student Stimulus funds being awarded in fiscal year 2021, which inflated the 2021 amounts. Instruction, Academic Support, Student Services, Institutional Support and Maintenance saw a combined decrease of \$806,749, mainly due to a \$2.7 million decrease from last fiscal year in Pension and OPEB expenses related to GASB 68 and GASB 75 required entries, netted with increases in personnel costs related with cost of living raises near \$1 million. Depreciation expense decreased by \$307,795 due to a reclassification of building alterations depreciation being recognized (25 years) from buildings (50 years) in the previous fiscal year 2021 which inflated depreciation for that year.

The operating expenses by function stated in thousands are displayed in the following exhibit.



Non-Operating Revenues

State Appropriations increased by \$6.3 million from the previous year, with \$3.3 million of that increase allocated for the Alabama Center for the Arts facilities construction/renovations. Federal grants decreased by \$4.8 million mainly due to a decrease in CARES Act revenue of \$4.2 million compared to the previous year. Investment securities reported a net unrealized loss of \$244,862 which is a reflection of the related bonds dropping in market value as of 9/30/2022.

Non-Operating Expenses

Total non-operating expenses decreased by \$536,632 mainly due to a decrease in disposal of assets.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-operating activities. This section reflects the cash received and spent for non-operating (state appropriations plus federal grants and loans), non-investing, and non-capital purposes. The third section reflects the cash flows from the purchase of capital buildings and equipment and any borrowings (Bond Issues) used for the funding those capital purchases. The fourth section deals with cash flows from investing activities. The fifth section summarizes any cash transactions that would impact any prior year adjustments made during the current fiscal year.

John C. Calhoun Community College
Management's Discussion and Analysis
September 30, 2022

Operating Activities

Cash used for operating activities of \$40 million decreased by \$.2 million mainly due to a decrease of \$5.97 million in scholarship expenses (due to higher CARES Act Student Stimulus payments in fiscal year 2021), offset by increases in payments to suppliers, utilities and personnel. Actual cash receipts for tuition decreased by \$3 million, but Grants and Contracts increased by \$3.1 million.

Non-operating Activities

Cash from non-operating activities decreased by \$1 million mainly due to a \$7 million decrease in Federal Grants cash receipts, offset by an increase of \$5.8 million in State Appropriations. Pell cash receipts increased by \$681,340, while Federal Loan cash receipts decreased \$652,873.

Capital and related Financing Activities

Cash used for capital and related financing activities decreased by \$6.2 million mostly due to a net change in cash flow in Deposits with Trustees. Most of the construction funds for the Huntsville Wall & Roof project were drawn down in fiscal year 2021 (over \$7 million) and the remaining (\$1.8 million) were drawn down in this current fiscal year 2022.

Investing Activities

The \$7.4 million decrease in cash flow from investing activities was due to a couple of key factors: 1) the maturity of securities during the fiscal year of \$2.45 million and 2) almost \$5 million decrease due to Investments purchased compared to last fiscal year. The college is also maintaining more of these funds in cash instead of reinvesting due to the possibility of needing liquid funds in the near future for pending large scale capital projects that have yet to be finalized in regard to cost and funding sources.

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Cash Provided (Used) by				
Operating Activities	\$ (40,275)	\$ (40,479)	\$ 204	-0.50%
Non-Operating Activities	59,773	58,602	1,171	2.00%
Capital Activities	(12,751)	(6,539)	(6,212)	95.00%
Investing Activities	<u>(4,897)</u>	<u>2,549</u>	<u>(7,446)</u>	-292.11%
Net Change in Cash	1,850	14,133	(12,283)	-86.91%
Cash, Beginning of Year	<u>61,246</u>	<u>47,112</u>	<u>14,134</u>	30.00%
Cash, End of Year	\$ 63,096	\$ 61,245	\$ 1,851	3.02%

Economic Outlook

The college is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this upcoming fiscal year.

Contacting John C. Calhoun Community College Financial Management

This financial report is designed to provide our stakeholders with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Calhoun Community College Business and Finance Department located at 6250 US-31, Tanner, AL 35671.

John C. Calhoun Community College
Statement of Net Position
September 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 63,096,151
Short-Term Investments	1,202,975
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,208,868	5,973,375
Inventories	17,086
Deposit with Bond Trustee	1,678,034
Other Current Assets	<u>591,386</u>

Total Current Assets	<u>72,559,007</u>
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Non-Current Assets

Long-Term Investments	3,527,066
Capital Assets:	
Land	4,431,544
Improvements Other Than Buildings	11,661,034
Buildings & Building Alterations	143,522,246
Equipment and Furniture	25,347,409
Library Holdings	1,419,591
Construction in Progress	2,760,462
Lease	239,653
Less: Accumulated Depreciation	<u>(65,517,304)</u>
Total Capital Assets, Net of Depreciation	<u>123,864,635</u>

Total Non-Current Assets	<u>127,391,701</u>
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Total Assets	<u>199,950,708</u>
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DEFERRED OUTFLOWS OF RESOURCES

Loss on Bond Refunding	93,703
Deferred Outflows of Resources Related to Pensions	10,163,000
Deferred Outflows of Resources Related to OPEB	<u>7,174,894</u>

Total Deferred Outflows of Resources	<u>17,431,597</u>
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The accompanying notes are an integral part of these financial statements.

John C. Calhoun Community College
Statement of Net Position
September 30, 2022

LIABILITIES

Current Liabilities

Deposits	\$ 22,074
Accounts Payable and Accrued Liabilities	7,634,321
Bond Surety Payable	29,388
Unearned Revenue	7,469,600
Compensated Absences	173,361
Lease Payable	80,029
Bonds Payable	<u>3,725,239</u>

Total Current Liabilities	<u>19,134,012</u>
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Non-Current Liabilities

Compensated Absences	1,560,248
Lease Payable	94,964
Bonds Payable	20,275,189
Net Pension Liability	34,553,000
Net OPEB Liability	<u>14,363,638</u>

Total Non-Current Liabilities	<u>70,847,039</u>
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Total Liabilities	<u>89,981,051</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions	10,741,000
Deferred Inflows of Resources Related to OPEB	<u>12,781,125</u>

Total Deferred Inflow of Resources	<u>23,522,125</u>
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NET POSITION

Net Position

Net Investment in Capital Assets	99,782,917
Restricted Expendable:	
Capital Projects	3,380,000
Debt Service	1,533,388
Scholarships and Fellowships	861
Other	1,593,923
Unrestricted	<u>(2,411,960)</u>

Total Net Position	<u>\$ 103,879,129</u>
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The accompanying notes are an integral part of these financial statements.

Calhoun College Foundation
Statement of Financial Position – Discretely Presented Component Unit
June 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 192,354
Investments	<u>12,923,359</u>

Total Assets	<u>\$ 13,115,713</u>
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NET ASSETS

Without Donor Restrictions	\$ 4,155,348
With Donor Restrictions	<u>8,960,365</u>

Total Liabilities and Net Assets	<u>\$ 13,115,713</u>
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The accompanying notes are an integral part of these financial statements.

John C. Calhoun 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 \$9,811,762)	\$ 19,799,439
Federal Grants and Contracts	1,794,077
State and Local Grants and Contracts	5,397,516
Sales and Services of Educational Activities	102,759
Auxiliary Enterprises:	
Bookstore	327,845
Vending	41,826
Other Auxiliary Enterprises	1,017
Other	48,760
Total Operating Revenues	<u>27,513,239</u>

OPERATING EXPENSES

Instruction	25,074,808
Academic Support	4,726,703
Student Services	5,876,305
Institutional Support	12,930,202
Operation and Maintenance	6,270,481
Scholarships and Financial Aid	9,703,728
Depreciation	5,854,343
Auxiliary Enterprises	156
Total Operating Expenses	<u>70,436,726</u>
Operating Loss	(42,923,487)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	36,853,690
Federal Grants	21,658,038
Investment Income	78,404
Unrealized Loss	(244,862)
Capital Grants, Contracts, and Gifts	1,705,529
Bond Surety Fee Expense	(155,856)
Other Nonoperating Expense	(223,787)
Interest on Debt	(857,225)
Net Nonoperating Revenues	<u>58,813,931</u>

Change in Net Position 15,890,444

Total Net Position - Beginning of Year	<u>87,988,685</u>
Total Net Position - End of Year	<u>\$ 103,879,129</u>

The accompanying notes are an integral part of these financial statements.

Calhoun College Foundation
Statement of Activities – Discretely Presented Component unit
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
<u>Revenue and Support:</u>			
Contributions	\$ 37,679	\$ 885,722	\$ 923,401
Donated Goods, Services, and Facilities	338,357	-	338,357
Special Events Income			
Less: Costs of Direct Benefit to Donors	-	108,031	108,031
Departments/Divisions Income	-	137,781	137,781
Investment Income, Net	(772,489)	(1,251,489)	(2,023,978)
Other Income	29,269	-	29,269
Net Assets Released from Restrictions	<u>1,096,733</u>	<u>(1,096,733)</u>	<u>-</u>
 Total Support and Revenue	 <u>729,549</u>	 <u>(1,216,688)</u>	 <u>(487,139)</u>
 <u>Expenses:</u>			
Program Services	1,443,748	-	1,443,748
General and Administrative	40,466	-	40,466
Fundraising	<u>25,038</u>	<u>-</u>	<u>25,038</u>
 Total Expenses	 <u>1,509,252</u>	 <u>-</u>	 <u>1,509,252</u>
 Change in Net Assets	 (779,703)	 (1,216,688)	 (1,996,391)
 Net Assets at Beginning of Year	 <u>4,935,051</u>	 <u>10,177,053</u>	 <u>15,112,104</u>
 Net Assets at End of Year	 <u>\$ 4,155,348</u>	 <u>\$ 8,960,365</u>	 <u>\$ 13,115,713</u>

The accompanying notes are an integral part of these financial statements.

John C. Calhoun Community College
Statement of Cash Flows
For the Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 19,765,100
Grants and Contracts	5,836,174
Payments to Suppliers	(14,312,571)
Payments for Utilities	(1,867,805)
Payments for Employees	(29,707,320)
Payments for Benefits	(10,844,546)
Payments for Scholarships	(9,666,643)
Sales and Service of Educational Services	102,759
Other Receipts (Payments)	48,760
Auxiliary Enterprises	370,688
Net Cash Used in Operating Activities	<u>(40,275,404)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and Local Appropriations	36,853,690
Gifts and Grants for Other than Capital Purposes	1,705,529
Federal Grants	21,658,038
Federal Direct Loan Receipts	8,759,720
Federal Direct Loan Disbursements	(8,759,720)
Other Noncapital Financing	(444,303)
Net Cash Provided by Noncapital Financing Activities	<u>59,772,954</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts Received	
Purchase of Capital Assets and Construction	(10,628,756)
Principal Paid on Capital Debt and Leases	(3,592,239)
Interest Paid on Capital Debt and Leases	(716,671)
Deposits with Trustees	1,856,691
Proceeds from Sale of Assets	329,945
Net Cash Used in Capital and Related Financing Activities	<u>(12,751,030)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	(166,458)
Purchase of Investments	(4,730,041)
Net Cash Used in Investing Activities	<u>(4,896,499)</u>

Net Increase in Cash and Cash Equivalents 1,850,021

Cash and Cash Equivalents - Beginning of Year 61,246,130

Cash and Cash Equivalents - End of Year \$ 63,096,151

The accompanying notes are an integral part of these financial statements.

John C. Calhoun Community College
Statement of Cash Flows
For the Year Ended September 30, 2022

Reconciliation of Net Operating Loss to Net

Cash Used in Operating Activities

Operating Loss \$ (42,923,487)

Adjustments to Reconcile Net Operating Loss to Net

Cash Used in Operating Activities

Depreciation Expense 5,854,343

Pension and OPEB Expense (1,414,936)

Changes in Assets and Liabilities:

Receivables (1,355,419)

Inventory 1,653

Other Assets 37,085

Accounts Payable and Accrued Liabilities (440,304)

Unearned Revenue (34,339)

Net Cash Used in Operating Activities \$ (40,275,404)

Noncash Investing, Capital, and Financing Activities:

The College recorded \$239,653 in right-of-use lease assets during the year.

The accompanying notes are an integral part of these financial statements.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of John C. Calhoun Community College (the “College” or “CCC”) 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 John C. Calhoun Community College are described below.

A. Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision, and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Component Units

Calhoun College Foundation (the “Foundation” or “CCF”) is a legally separate, tax-exempt organization that is organized exclusively for charitable, scientific, and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundation, the Foundation is considered a component unit of the College. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Although the College does not control the timing or amount of receipts from CCF, the majority of resources, or income thereon that CCF holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by CCF can only be used by, or for the benefit of, the College, CCF is discretely presented as a component unit of the College. CCF is reported in its original format on separate financial statements because of the difference in its reporting model as further described below. Complete financial statements for CCF are available from the Foundation's director upon request.

The Foundation is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences; however, significant note disclosures (see Note 11) to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

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

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

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

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

D. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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

1. Cash, Cash Equivalents, and Investments

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

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

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period.

2. Receivables

Accounts receivable relate to amounts due from students, federal grants, state grants, third party tuition, and auxiliary enterprise sales, such as food service, bookstore, and residence halls. The receivables are shown net of allowance for doubtful accounts.

3. Capital Assets

Capital assets, other than intangible assets, 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 fair market value at the date of donation. 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.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

The method of depreciation and useful lives of the capital assets and right-to-use leased assets are as follows:

<u>Assets</u>	<u>Depreciation Method</u>	<u>Useful Lives</u>
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements other than Buildings	Straight-Line	25 years
Equipment > \$25,000	Straight-Line	10 years
Equipment < \$25,000	Straight-Line	5 years
Right-to-Use Leased Equipment	Straight-Line	5-10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

4. Deferred Outflow of Resources

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

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds/Warrant premiums and discounts are deferred and amortized over the life of the bonds. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount.

6. Compensated Absences

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

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

7. Deferred Inflow of Resources

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

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

8. Unearned Revenue

Unearned revenue consists primarily of amounts received for fall student tuition and fees that are not earned until the next fiscal year. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

9. Pensions

The Teachers' Retirement System of Alabama ("TRS" or "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.

10. Postemployment Benefits Other Than Pensions (OPEB)

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

11. Net Position

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

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

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Restricted:

Nonexpendable - Net position subject to externally imposed stipulations that it be maintained permanently by the College. Such assets would include 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 is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

12. Federal Financial Assistance Programs

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

13. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the alternate method as prescribed by the National Association of College and College Business Officers (NACUBO) in their Advisory Report (2000-05) to determine the amount of scholarship allowances and discounts.

14. Prepaid Expenses and Unearned Scholarships

Prepaid expenses are composed predominantly of prepaid insurance. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year end. The College prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

15. New Accounting Pronouncement

During the current Fiscal Year, the College implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 87, Leases
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 93, Replacement of Interbank Offered Rates

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

The College invests its funds in securities and investments in accordance with 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.

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

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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.

To the extent available, the College's investments are recorded at fair value as of September 30, 2021. GASB Statement Number 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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

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

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

Investments’ fair value measurements are as follows at September 30, 2022:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
<u>Debt Securities</u>				
U.S. Agency Securities*	\$ 4,755,138	\$ 4,730,138	\$ -	\$ -
Other Cash Equivalents	\$ 1,678,034	\$ 1,678,034	\$ -	\$ -
Total Investments	\$ 6,433,172	\$ 6,433,172	\$ -	\$ -

*The investment on the face of the financial statement is the fair market value of \$4,755,138 less unamortized discount of \$25,097.

The U. S. Agency Securities in level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Interest Rate Risk – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the below investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College’s investment policy limits its investment maturities as follows:

<u>Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes, Bonds and Stripped Treasuries	10 years
U.S. Agencies	10 years
Certificates of Deposit	5 years
Mortgage-Backed Securities and Mortgage Related Securities	7 years*/10 years**

*Aggregate life

**Average life maturity of any one security

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

At year end, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
U.S. Agency Securities	\$ 4,755,138	\$ 4,755,138	\$ -	\$ -
Other Cash Equivalents	\$ 1,678,034	\$ 1,678,034	\$ -	\$ -

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College does not have a formal investment policy that specifically addresses its investment choices related to this risk. The College’s U.S. Agency Securities investments in the Federal Home Loan Mortgage Corp Agency, Federal Farm Credit Bank, and Federal Home Loan Bank held a Moody’s rating of “Aaa” and a Standard & Poor’s rating of “AA+.”

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have an investment policy that limits the amount of securities that can be held by counterparties.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formal investment policy that places limits on the amount the College may invest in any one issuer to less than 5%. Instead, the College’s policy was to limit investments by type to the percentages shown below:

<u>Investment Type</u>	<u>% of Investment</u>
Stripped Treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificates of Deposit	No Limit
Mortgage-Backed Securities and Mortgage Related Securities	50%

NOTE 3 - RECEIVABLES

Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 2,276,796
State and Local	710,551
Third Party	443,213
Student	1,730,392
Auxiliary	11,044
Interest	47,678
Other	1,962,569
Less: Allowance for Doubtful Accounts	(1,208,868)
Total Accounts Receivables, Net	\$ 5,973,375

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions & Adjustments	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 4,380,954	\$ 50,590	\$ -	\$ -	\$ 4,431,544
Construction in Progress	11,173,108	2,731,823	-	(11,144,469)	2,760,462
Total Capital Assets Not Being Depreciated:	15,554,062	2,782,413	-	(11,144,469)	7,192,006
Capital Assets Being Depreciated:					
Buildings	113,196,668	2,932,817	(30,280)	10,860,844	126,960,049
Building Alterations	15,836,819	441,753	-	283,625	16,562,197
Improvements Other than Buildings	11,588,372	72,662	-	-	11,661,034
Equipment > \$25,000	11,358,473	2,197,166	(1,303,704)	-	12,251,935
Equipment < \$25,000	11,770,274	2,188,620	(863,420)	-	13,095,474
Lease Equipment	-	239,653	-	-	239,653
Library Holdings	1,410,210	13,325	(3,944)	-	1,419,591
Total Capital Assets Being Depreciated	165,160,816	8,085,996	(2,201,348)	11,144,469	182,189,933
Less Accumulated Depreciation:					
Buildings	31,750,148	2,426,265	(6,056)	-	34,170,357
Building Alterations	5,317,238	661,870	-	-	5,979,108
Improvements Other than Buildings	6,739,153	413,444	-	-	7,152,597
Equipment > \$25,000	7,646,028	829,653	(1,087,244)	-	7,388,437
Equipment < \$25,000	8,927,700	1,431,069	(774,159)	-	9,584,610
Lease Equipment	-	61,380	-	-	61,380
Library Holdings	1,154,097	30,662	(3,944)	-	1,180,815
Total Accumulated Depreciation	61,534,364	5,854,343	(1,871,403)	-	65,517,304
Total Capital Assets, Net	\$ 119,180,514	\$ 5,014,066	\$ (329,945)	\$ -	\$ 123,864,635

NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Teachers' Retirement Systems of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* 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.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

B. Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a 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 credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

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

Effective October 1, 2021 the covered Tier 2 members of the TRS contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021 the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the 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

John C. Calhoun Community College
Notes to the Financial Statements
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liability. Total employer contributions to the pension plan from the College were \$3,240,000 for the year ended September 30, 2022.

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

At September 30, 2022 the College reported a liability of \$34,553,000 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 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 0.366791%, which was a decrease of 0.003813% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the College recognized pension expense of \$3,177,966. At September 30, 2022 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,600,000	\$ 2,013,000
Changes of assumptions	3,627,000	-
Net difference between projected and actual earnings on pension plan investments	-	8,156,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,696,000	572,000
Employer contributions subsequent to the measurement date	3,240,000	-
	<u>\$ 10,163,000</u>	<u>\$ 10,741,000</u>

\$3,240,000 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 Ended September 30:

2023	\$ (260,000)
2024	(140,000)
2025	(969,000)
2026	(2,449,000)
Total	<u>\$ (3,818,000)</u>

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

E. Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined by an actuarial valuation 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 actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward(+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
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% > age 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.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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

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

*Includes assumed rate of inflation of 2.00%.

F. 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.

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

The following table presents the College’s proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease <u>(6.45%)</u>	Current Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
College’s proportionate share of collective net pension liability	\$ 50,859,000	\$ 34,553,000	\$ 20,819,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 16, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan description

The Alabama Retired Education Employees' Health Care Trust (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 (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455)* 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 Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board 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.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

B. Benefits provided

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

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

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

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

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

John C. Calhoun Community College
Notes to the Financial Statements
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C. Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board 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 Board 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 Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board 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 Board 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 Board 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 Board 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 Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2022, the John C. Calhoun Community College reported a liability of \$14,363,638 for its proportionate share of the net OPEB liability. The 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 John C. Calhoun Community College proportion of the net OPEB liability was based on a projection of the John C. Calhoun Community College 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 John C. Calhoun Community College proportion was 0.277998% percent, which was an increase of 0.001794% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the College recognized an OPEB expense of \$781,057, with no special funding situations.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

At September 30, 2022, the System 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	\$ 339,844	\$ 4,997,136
Changes of assumptions	5,115,471	5,567,469
Net difference between projected and actual earnings on OPEB plan investments	-	448,052
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,164,928	1,768,468
Employer contributions subsequent to the measurement date	554,651	-
	<u>\$ 7,174,894</u>	<u>\$ 12,781,125</u>

\$554,651 reported as deferred outflows of resources related to OPEB resulting from the John C. Calhoun Community College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

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 Ended September 30:

2023	\$ (1,987,904)
2024	(1,610,518)
2025	(1,755,850)
2026	(254,184)
2027	(149,671)
Thereafter	(402,755)
Total	<u>\$ (6,160,882)</u>

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

E. 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%
Salary Increase ¹	3.25% -5.00%
Long-term Investment rate of return ²	7.00%
Municipal Bond Index Rate at Measurement Date	2.29%
Municipal Bond Index Rate at Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at Measurement Date	3.97%
Single Equivalent Interest Rate at Prior Measurement Date	3.05%
Healthcare cost trend rates	
<i>Pre-Medicare Eligible</i>	6.50%
<i>Medicare Eligible</i>	**
Ultimate Trend Rate	
<i>Pre-Medicare Eligible</i>	4.50% in 2028
<i>Medicare Eligible</i>	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.

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

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

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class.

These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

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

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

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability is 3.97%. 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.

John C. Calhoun Community College
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Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the amount will increase at the same rate as expected benefit payments. 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.

G. Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table presents the John C. Calhoun Community College’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the 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 and known decreasing to 3.50% for Medicare Eligible)	<u>Current Healthcare Trend Rate</u> (6.50% decreasing to 4.50% for pre-Medicare and known decreasing to 4.50% for Medicare Eligible)	<u>1% Increase</u> (7.50% decreasing to 5.50% for pre-Medicare and known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	\$11,270,754	\$14,363,638	\$18,348,519

The following table presents the College’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the 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%)
Net OPEB Liability	\$17,667,910	\$14,363,638	\$11,713,247

H. OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

NOTE 7 - ACCOUNTS PAYABLE

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

Salaries and Wages	\$ 1,369,539
Payroll Withholding	1,428,894
Interest Payable	328,527
Supplies and Other Payables	4,507,360
Total	<u>\$ 7,634,320</u>

NOTE 8 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>Bonds Payable:</u>					
2012A Series	\$ 8,345,000	\$ -	2,460,000	\$ 5,885,000	\$ 2,565,000
2014 Series Direct Placement	8,757,000	-	988,000	7,769,000	1,016,000
2020 Series	9,420,000	-	-	9,420,000	-
Bond Premiums	1,070,667	-	144,239	926,428	144,239
Total Bonds Payable	<u>27,592,667</u>	<u>-</u>	<u>3,592,239</u>	<u>24,000,428</u>	<u>3,725,239</u>
<u>Other Liabilities:</u>					
Compensated Absences	1,790,353	-	56,744	1,733,609	173,361
Lease Liability	-	239,653	64,660	174,993	80,029
Total Other Liabilities	<u>1,790,353</u>	<u>239,653</u>	<u>121,404</u>	<u>1,908,602</u>	<u>253,390</u>
Total Long-Term Liabilities	<u>\$ 29,383,020</u>	<u>\$ 239,653</u>	<u>\$ 3,713,643</u>	<u>\$ 25,909,030</u>	<u>\$ 3,978,629</u>

On November 20, 2014, the State Board of Education issued \$15,000,000 in limited obligation revenue bonds payable over 15 years with an interest rate of 2.92%. The bonds were issued to provide funding to acquire, construct, and equip a 90,000 square foot math, science, and information technology classroom building to be located on the College's campus in Huntsville, Alabama. In addition, the current facility at the Huntsville campus will undergo a significant renovation.

On May 14, 2020, the Board of Trustees of the Alabama Community College System issued \$9,420,000 in limited obligation revenue bonds. The bonds were issued to provide funding to renovate and improve Sparkman Hall located on the College's campus in Huntsville, Alabama.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Bond Debt

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

Fiscal Year	Direct Placement		Revenue Bonds		Totals
	Principal	Interest	Principal	Interest	
2022-2023	\$ 1,016,000	\$ 226,855	\$ 2,565,000	\$ 557,650	\$ 4,365,505
2023-2024	1,046,000	197,188	1,630,000	455,050	3,328,238
2024-2025	1,077,000	166,644	1,690,000	402,075	3,335,719
2025-2026	1,108,000	135,196	-	347,150	1,590,346
2026-2027	1,140,000	102,842	-	347,150	1,589,992
2027-2028	1,174,000	69,554	-	347,150	1,590,704
2028-2029	1,208,000	35,274	-	347,150	1,590,424
2029-2030	-	-	700,000	347,150	1,047,150
2030-2031	-	-	730,000	319,150	1,049,150
2031-2032	-	-	760,000	289,950	1,049,950
2032-2033	-	-	790,000	259,550	1,049,550
2033-2034	-	-	820,000	227,950	1,047,950
2034-2035	-	-	850,000	195,150	1,045,150
2035-2036	-	-	885,000	161,150	1,046,150
2036-2037	-	-	920,000	125,750	1,045,750
2037-2038	-	-	960,000	88,950	1,048,950
2038-2039	-	-	990,000	60,150	1,050,150
2039-2040	-	-	1,015,000	30,450	1,045,450
Totals	\$ 7,769,000	\$ 933,553	\$ 15,305,000	\$ 4,908,725	\$ 28,916,278

Bond Premium

The College has a bond premium in connection with the issuance of its 2012 and 2020 Series Tuition Revenue Bonds. The bond premiums are being amortized using the effective interest method over the life of the applicable bonds.

	2012 Premium	2020 Premium	Total
Total Premium	\$ 1,431,049	\$ 755,987	\$ 2,187,036
Amount Amortized in Prior Years	(1,040,770)	(75,599)	(1,116,369)
Beginning Balance	390,279	680,388	1,070,667
Current Amount Amortized	(106,440)	(37,799)	(144,239)
Balance of Premium	\$ 283,839	\$ 642,589	\$ 926,428

Pledged Revenues

The College has pledged tuition and certain fee revenues for the payment of debt service on the Series 2012 Bonds. The debt was issued, for the purpose of providing funding to refund, on a current basis, the outstanding principal of the Board's John C. Calhoun State Community College Revenue Bond Series 2003 and the Revenue Bond Series 2005, originally issued in the aggregate principal amounts of \$11,675,000 and \$24,230,000, and to pay the costs of issuing the Series 2012 Bonds. Future revenues in the amount of \$6,258,325 are pledged to repay principal and interest on

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

the bonds at September 30, 2022. Pledged revenues in the amount of \$19,799,439 were received during the fiscal year ended September 30, 2022, with \$2,768,900 or 13.98% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2025.

The College has pledged tuition and certain fee revenues for the payment of debt service on the Series 2014 Bonds. The debt was issued, for the purpose of providing funding to finance the acquisition, construction, and equipping of a 90,000 square foot math, science, and information technology classroom building to be located on the College's campus in Huntsville, Alabama as well as paying the expenses of issuing the bond. In addition, the current facility at the Huntsville campus will undergo a significant renovation. Future revenues in the amount of \$8,702,553 are pledged to repay principal and interest on the bonds at September 30, 2022. Pledged revenues in the amount of \$19,799,439 were received during the fiscal year ended September 30, 2022, with \$1,243,704 or 6.28% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2029.

The College has pledged tuition and certain fee revenues for the payment of debt service on the Series 2020 Bonds. The debt was issued, for the purpose of providing funding to renovate and improve Sparkman Hall located on the College's campus in Huntsville, Alabama, as well as paying the expenses of issuing the bond. Future revenues in the amount of \$13,955,400 are pledged to repay principal and interest on the bonds at September 30, 2022. Pledged revenues in the amount of \$19,799,439 were received during the fiscal year ended September 30, 2022, with \$347,150 or 1.75% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2040.

The College's outstanding series 2014 bonds from direct placement related to governmental activities of \$7,769,000 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.

The College's outstanding bonds from direct borrowings and direct placements related to governmental activities of \$7,769,000 also contains a provision that this bond is subject to redemption and repayment in whole or in part, at the option of the Board, on November 1, 2024 and on any business day thereafter, at a redemption price equal to the principal amount to be redeemed and the interest accrued thereon to the date of redemption. Any redemption of less than the entire principal amount hereof then outstanding shall be in a principal amount of at least \$100,000 and shall be applied to the principal payments due hereon in inverse order of scheduled annual principal payments.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Loss on Bond Refunding

The College has a loss on refunding in connection with the issuance of its Series 2012 Revenue Bonds. This loss is shown as a deferred outflow and is being amortized using the effective interest method over the life of the bonds.

	<u>Loss on Bond Refunding</u>
Total Loss on Refunding	\$ 1,546,098
Amount Amortized in Prior Years	<u>(1,311,841)</u>
Beginning Balance	234,257
Current Amount Amortized	<u>(140,554)</u>
Balance of Loss on Refunding	<u><u>\$ 93,703</u></u>

Lease Payable

\$239,653 has been recorded as Lease Assets in capital assets. Due to the implementation of GASB Statement No. 87, various leases met the criteria of a lease; thus, requiring it to be recorded by the College. These assets will be amortized over the lease term of the lease since it is shorter than the useful life and the College is not taking ownership of the assets. There are no residual value guarantees in the lease provisions. The leases will end in 2025. A summary of the principal and interest amounts for the remaining lease is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022-2023	\$ 80,029	\$ 2,719	\$ 82,748
2023-2024	70,617	1,304	71,921
2024-2025	24,347	139	24,486
	<u>\$ 174,993</u>	<u>\$ 4,162</u>	<u>\$ 179,155</u>

NOTE 9 - 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, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College president and business officer as well as on all other college personnel who handle funds.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

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 10 – OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2022, the College had been awarded approximately \$2,737,769 in federal, state, and local contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

NOTE 11 – CALHOUN COLLEGE FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Calhoun College Foundation, Inc. (The Foundation) is an Alabama non-profit corporation organized on July 30, 1975. The Foundation's purpose is to promote the advancement of Calhoun Community College, its students, and its faculty through scientific, literary, and educational endeavors.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets, defined as follows:

Net assets without donor restrictions - Net assets that are available to support operations and not subject to donor-imposed stipulations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Net assets with donor restrictions - Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Foundation's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

The Foundation's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Organization's donor-restricted endowment funds that the Organization is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

Revenue Recognition – Revenue is recognized when earned. Contributions are recognized when cash, or other assets, and unconditional promises to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Amounts received for future events (deferred revenue) are deferred to the applicable period.

Income Taxes/Uncertain Tax Positions - The Foundation is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is classified as a non-private foundation by the Internal Revenue Service. Accordingly, no provision is made in these financial statements for income taxes. The Foundation's federal Exempt Organization Business Income Tax Returns for 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses - The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on a formula developed by management.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Donated Services, Facilities and Goods - Certain Foundation personnel and all office space are provided by Calhoun Community College (the College) at no charge. Contributed services are reflected in the financial statements at the fair value of the services received. In accordance with FASB ASC 958, the Foundation recognizes contributed services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed use of facilities is reflected in the financial statements at the fair rental value of the office space provided. All donated goods are reflected in the financial statements at the fair market value of the goods on the date received.

Cash Equivalents - For purposes of financial statement presentation, the Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Subsequent Events - The Foundation has evaluated subsequent events through September 28, 2022, the date to which the financial statements were available to be issued.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

B. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Foundation maintains bank accounts at a single financial institution that, at times, may exceed federally insured limits. The Foundation's cash and cash equivalents accounts have been placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses with respect to such bank accounts.

C. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows for the year ending June 30, 2022:

Financial Assets at Year-End	\$ 13,115,713
Less Those Available for General Expenditures Within One Year, Due to:	
Restricted by Donor with Purpose Restrictions	(8,960,365)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,155,348</u>

The Foundation has a goal of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

D. INVESTMENTS

Investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Unrealized appreciation (depreciation) noted below is computed based on the difference between the original investment and the fair market value as of the balance sheet date and are comprised of the following as of June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Stifel General Account:			
Insured bank deposit program	\$ 99,544	\$ 99,544	\$ -
Equities	3,154,026	3,232,179	78,153
Corporate bonds	500,970	425,759	(75,211)
Government securities	1,021,372	902,691	(118,681)
Mortgage-backed securities	378,489	338,112	(40,377)
Stifel Endowment Account:			
Insured bank deposit program	183,060	183,060	-
Equities	4,771,807	4,989,936	218,129
Corporate bonds	788,889	669,024	(119,865)
Government securities	1,620,516	1,426,868	(193,648)
Mortgage-backed securities	605,665	541,496	(64,169)
Stifel Endowment Scholarship Account:			
Insured bank deposit program	88,515	88,515	-
Stifel Non-Endowed Account:			
Insured bank deposit program	26,175	26,175	-
	<u>\$ 13,239,028</u>	<u>\$ 12,923,359</u>	<u>\$ (315,669)</u>

Net investment income consists of the following for the years ending June 30, 2022:

Interest and Dividend Income	\$ 294,259
Realized Gains	378,088
Unrealized Gains (Losses)	(2,636,015)
Investment Expenses	(60,310)
	<u>\$ (2,023,978)</u>

E. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosure topics of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted market prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

When available, the Foundation measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would only be used when Level 1 or Level 2 inputs are not available.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stifel Insured Bank Deposit	\$ 397,294	\$ -	\$ -	\$ 397,294
Equities	8,222,115	-	-	8,222,115
Corporate bonds	1,094,783	-	-	1,094,783
Government securities	2,329,559	-	-	2,329,559
Mortgage-backed securities	879,608	-	-	879,608
	<u>\$ 12,923,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,923,359</u>

F. ENDOWMENTS

The Foundation's endowment consists of approximately 154 funds established to provide scholarships for Calhoun Community College students. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation is guided by its policies and procedures in the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds which are consistent with the principles set forth in the State Prudent Management of Institutional Funds Act (SPMIFA). Thus, the Foundation retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner consistent with its policies and procedures, and as reflected in the SPMIFA principles. In accordance with the Foundation's policies and procedures, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds, again consistent with SPMIFA principles: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation maintains a master investment account for its donor-restricted endowment funds. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment account, enhancing the investment performance relative to that of an individual fund, and reducing management fees.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Realized and unrealized gains and losses from securities in the master investment account are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment account, as adjusted for additions to or deductions from those accounts.

Investment Reporting – Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends and realized/unrealized gains and losses, net of investment fees. Investment income attributable to amounts held for the benefit of the College is reported in net assets with donor restrictions. When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts held for the benefit of the Foundation is reported in net assets without donor restrictions.

Investment Return Objectives, Risk Parameters and Strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy - The Foundation has a policy of appropriating for distribution each year a target rate of 4% of its endowment fund's average fair value of the prior three fiscal years in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At June 30, 2022, there were \$28,394 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies, the aggregate original gift amounts were \$259,096, while the aggregate fair value amounts are \$230,702. At June 30, 2021, there were no funds with deficiencies.

Endowment net asset composition by fund type as of June 30, 2022 consisted of \$7,898,899 in endowment funds with donor restrictions.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

Changes in endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment Net Assets, June 30, 2021	\$ -	\$ 9,151,281	\$ 9,151,281
Contributions, Net	-	134,635	134,635
Investment Income (Loss), Net of Fees	-	(1,210,832)	(1,210,832)
Amounts Appropriated for Expenditure	-	(176,185)	(176,185)
Endowment Net Assets, June 30, 2022	<u>\$ -</u>	<u>\$ 7,898,899</u>	<u>\$ 7,898,899</u>

G. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions by incurring expenses satisfying the purpose of the restrictions as specified by donors were as follows during the years ending June 30, 2022:

Perpetual Scholarships Awarded	\$ 176,185
Designated Scholarships Awarded	283,568
Departments and Divisions, etc.	636,980
Total Net Assets Released from Restrictions	<u>\$ 1,096,733</u>

H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2022:

Perpetual Scholarships Awarded	\$ 7,898,899
Designated Scholarships Awarded	295,705
Departments and Divisions, etc.	390,971
Economic Summit, Scholarships, etc. (Shelton Fund)	374,790
Total Net Assets with Donor Restrictions	<u>\$ 8,960,365</u>

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2021, natural expense accounts were allocated as follows:

NOTE I – USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

John C. Calhoun Community College
Notes to the Financial Statements
For the Year Ended September 30, 2022

NOTE 12 – SUBSEQUENT EVENT

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

Required Supplementary Information

John C. Calhoun Community College
Schedule of Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama (in thousands)

	For the measurement period ended September 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
College's proportionate share of the net pension liability	0.366791%	0.370604%	0.344283%	0.347211%	0.352305%	0.343564%	0.335353%	0.323692%
College's proportionate share of the net pension liability	\$ 34,553	\$ 45,842	\$ 38,067	\$ 34,522	\$ 34,626	\$ 37,194	\$ 35,097	\$ 29,406
College's covered payroll	\$ 26,678	\$ 26,488	\$ 24,748	\$ 23,309	\$ 23,292	\$ 21,881	\$ 21,229	\$ 20,536
College's proportionate share of the net pension liability as a percentage of its covered payroll	129.52%	173.07%	153.82%	148.11%	148.66%	169.98%	165.33%	143.19%
Plan fiduciary net position as a percentage of the total pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to the Schedule of College's Proportionate Share of the Net Pension Liability

This schedule presents only eight years of information, rather than ten years, as only eight years of trend information is available at September 30, 2022.

John C. Calhoun Community College
Schedule of Pension Contributions
Teachers' Retirement Plan of Alabama (in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 3,240	\$ 3,209	\$ 3,196	\$ 2,994	\$ 2,787	\$ 2,748	\$ 2,597	\$ 2,398
Contributions in relation to the contractually required contribution	\$ (3,240)	\$ (3,209)	\$ (3,196)	\$ (2,994)	\$ (2,787)	\$ (2,748)	\$ (2,597)	\$ (2,398)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 27,078	\$ 26,678	\$ 26,488	\$ 24,748	\$ 23,309	\$ 23,292	\$ 21,881	\$ 21,229
Contributions as a percentage of covered payroll	11.97%	12.03%	12.07%	12.10%	11.96%	11.80%	11.87%	11.30%

Notes to the Schedule of College's Pension Contributions

This schedule presents only eight years of information, rather than ten years, as only eight years of trend information is available at September 30, 2022.

John C. Calhoun Community College
Schedule of Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust (in thousands)

	For the measurement period ended September 30,				
	2021	2020	2019	2018	2017
John C. Calhoun Community College 's proportion of the net OPEB liability	0.277998%	0.2760204%	0.306864%	0.286857%	0.280895%
John C. Calhoun Community College 's proportionate share of the net OPEB liability	\$ 14,364	\$ 17,925	\$ 11,577	\$ 23,576	\$ 20,863
John C. Calhoun Community College 's covered payroll	\$ 25,954	\$ 25,646	\$ 23,946	\$ 21,468	\$ 21,908
John C. Calhoun Community College 's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	55.34%	69.89%	48.35%	109.82%	95.23%
Plan fiduciary net position as a percentage of the total OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

Notes to the Schedule of College 's Proportionate Share of the Net OPEB Liability

This schedule presents only five years of information, rather than ten years, as only five years of trend information is available at September 30, 2022.

John C. Calhoun Community College
Schedule of OPEB Contributions
Alabama Retired Education Employees' Health Care Trust (in thousands)

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 555	\$ 480	\$ 548	\$ 874	\$ 709
Contributions in relation to the contractually required contribution	(555)	(480)	(548)	(874)	(709)
Contribution deficiency (excess)	-	-	-	-	-
John C. Calhoun Community College covered payroll	\$ 26,001	\$ 25,954	\$ 25,646	\$ 23,946	\$ 21,468
Contributions as a percentage of covered payroll	2.13%	1.85%	2.14%	3.65%	3.30%

Notes to the Schedule of College 's OPEB Contributions

This schedule presents only five years of information, rather than ten years, as only five years of trend information is available at September 30, 2022.

John C. Calhoun Community College
Schedule of John C. Calhoun Community College 's Contributions
Notes to Required Supplementary Information

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	Decreased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from an 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 assumed rates of salary increases, but increased merit salary scale by 0.25% to offset the recommended decrease in the 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.

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 Affordable Care Act maximum annual out-of-pocket amounts.

John C. Calhoun Community College
Schedule of John C. Calhoun Community College 's Contributions
Notes to Required Supplementary Information

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	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.

Additional Information

John C. Calhoun Community College
Listing of College Officials

<u>Officials</u>	<u>Title</u>
Jimmy Baker	Chancellor Alabama Community College System
Dr. Jimmy Hodges	President
Jason Morgan	Chief Financial Officer/Dean of Business and Finance



**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
Dr. Jimmy Hodges, Interim President – John C. Calhoun Community College
Decatur, Alabama

We have audited, in accordance with the 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 John C. Calhoun Community College (the “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 the College’s basic financial statements, and have issued our report thereon dated January 17, 2023. Our report includes a reference to the change in accounting principle resulting from the implementation of GASB 87 *Leases*, as of October 1, 2021. Our report includes a reference to other auditors who audited the financial statements of Calhoun College Foundation (the “Foundation”), as described in our report on the College’s financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Athens, AL
January 17, 2023