

Certified Public Accountants
& Consultants



Southern Union State Community College
For the Year Ended September 30, 2022
Financial Statements

Introductory Section

**Southern Union State Community College
As of September 30, 2022**

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**Southern Union State Community College
As of September 30, 2022**

List of College Officials

Officials	Position
Jimmy Baker	Chancellor Alabama Community College System
Todd Shackett	President
Ben Jordan, CPA	Vice-President of Financial and Administrative Services

Financial Section

Independent Auditor's Report

Jimmy Baker, Chancellor, Alabama Community College System
Todd Shackett, President, Southern Union State Community College
Wadley, Alabama

Opinion

We have audited the accompanying financial statements of Southern Union State 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 as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the College's Proportionate Share of the Collective Net Pension Liability, Schedule of the College's Contributions - Pension, Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, Schedule of the College's Contributions - Other Postemployment Benefits (OPEB), and Notes to the Required Supplementary Information for Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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.

Jackson Thornton & Co. PC

Montgomery, Alabama
January 13, 2023

Southern Union State Community College

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

In the accompanying documentation, Southern Union State Community College presents its financial statements for fiscal year 2021-2022, with comparative data for fiscal year 2020-2021. This report of the College's financial statements provides an overview of financial activities and emphasizes current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the College at September 30, 2022. The Statement of Net Position is a point in time financial statement which presents the readers of the financial statements a fiscal snapshot of Southern Union State Community College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred outflows and inflows of resources, and net position. 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. In summary, the Statement of Net Position provides a picture of the availability of assets for expenditure by the institution.

Net Position is divided into three major categories. The first category, invested in capital assets, net of related debt and depreciation, provides the institution's equity in property, plant, and equipment owned by the institution. The second asset category is restricted assets, which is divided into nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted assets are 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 third category is unrestricted assets which are available to the institution for any appropriate purpose of the institution.

The following table shows the total net position of the institution, which increased \$5,540,048 from the prior year. Consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction and public service missions of the institution.

Statement of Net Position (thousands of dollars)

	<u>2021-2022</u>	<u>2020-2021</u>
Assets:		
Current assets	\$ 31,226	\$ 23,160
Capital assets, net of depreciation	<u>101,740</u>	<u>103,010</u>
Total Assets	<u>\$ 132,966</u>	<u>\$ 126,170</u>
 Deferred Outflow of Resources:		
Total Deferred Outflow of Resources	<u>\$ 9,852</u>	<u>\$ 11,392</u>
 Liabilities:		
Current liabilities	\$ 13,311	\$ 9,346
Noncurrent liabilities	<u>48,874</u>	<u>59,157</u>
Total Liabilities	<u>\$ 62,185</u>	<u>\$ 68,503</u>
 Deferred Inflow of Resources:		
Total Deferred Inflow of Resources	<u>\$ 13,651</u>	<u>\$ 7,618</u>
 Net Position:		
Invested in capital assets, net of debt	\$ 78,947	\$ 78,331
Restricted – nonexpendable	0	0
Restricted – expendable	1,026	941
Unrestricted	<u>(12,991)</u>	<u>(17,830)</u>
Total Net Position	<u>\$ 66,982</u>	<u>\$ 61,442</u>

Statement of Revenues, Expenses and Changes in Net Position

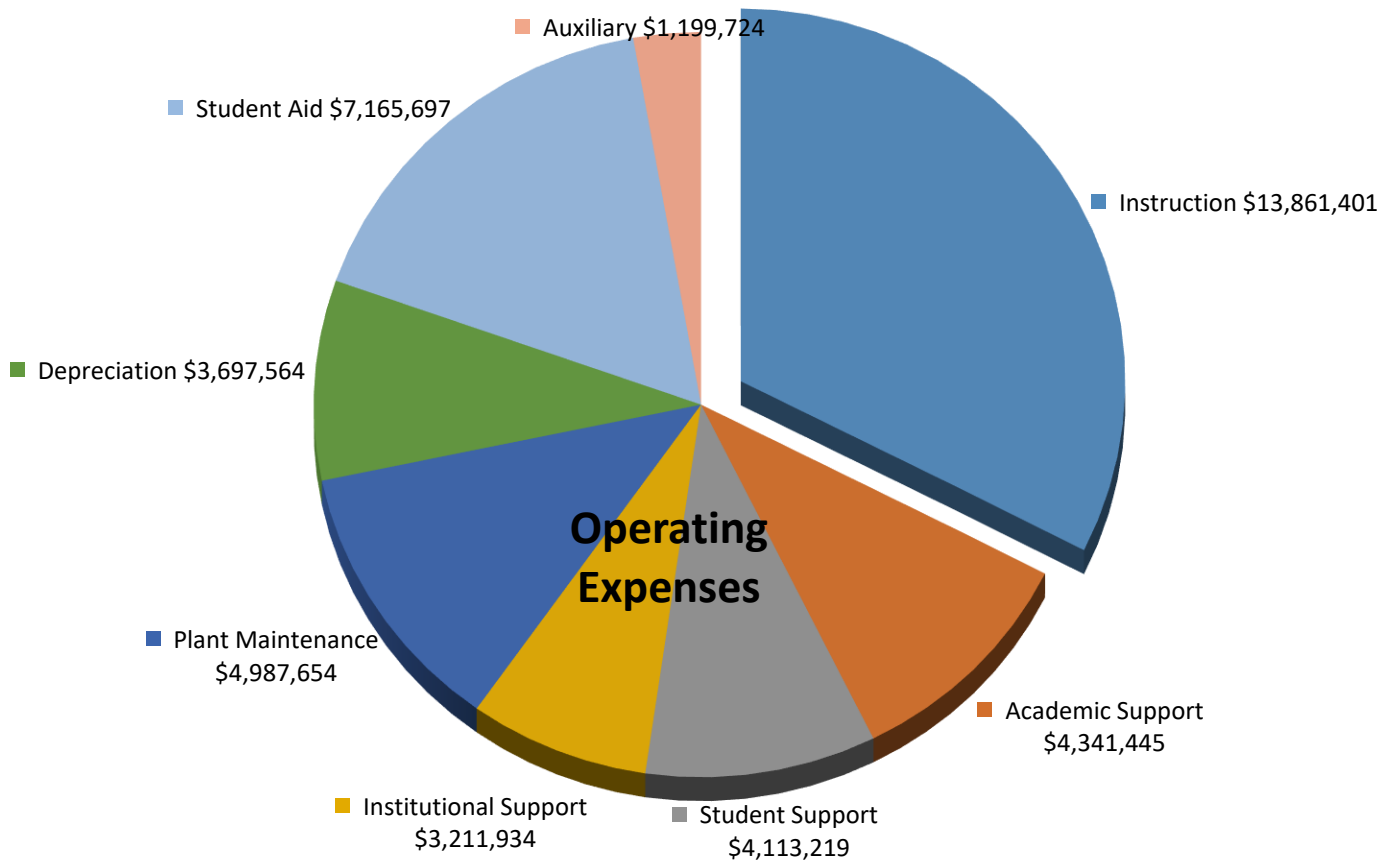
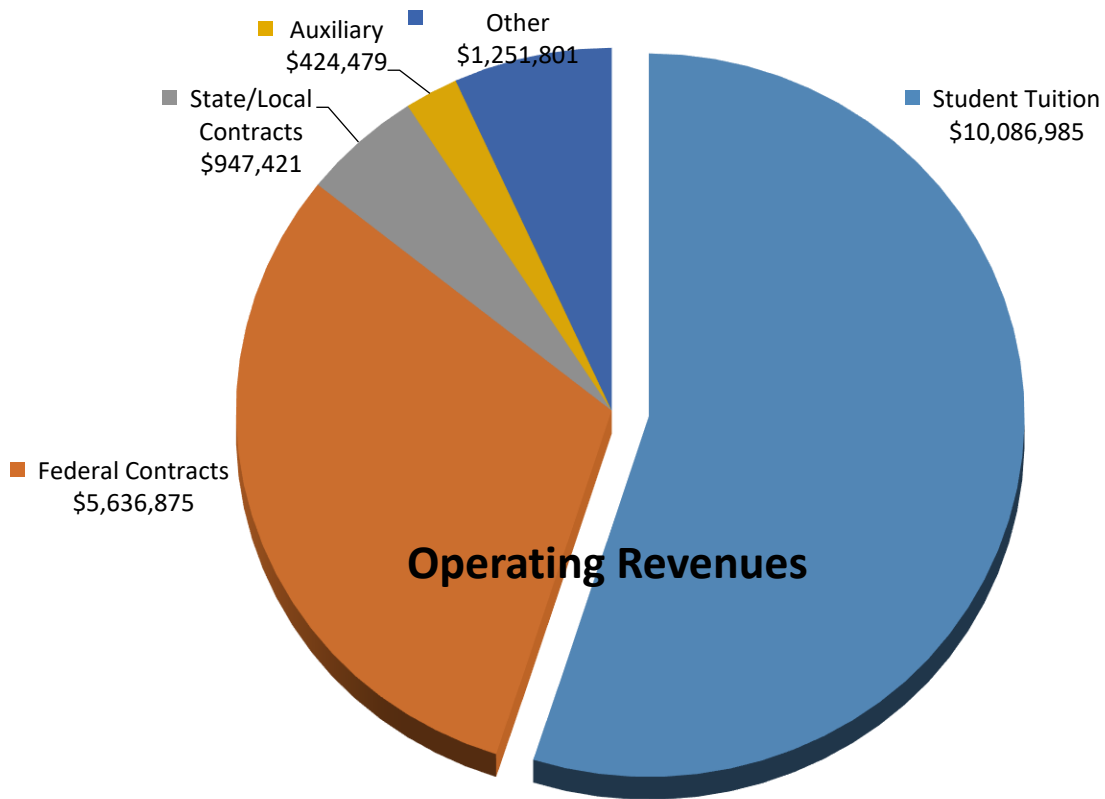
Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and 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)

	<u>2021-2022</u>	<u>2020-2021</u>
Operating revenues	\$ 18,348	\$ 19,575
Operating expenses	<u>(42,667)</u>	<u>(45,711)</u>
Operating loss	(24,319)	(26,136)
Non-operating revenues	30,854	30,119
Non-operating expenses	<u>(995)</u>	<u>(978)</u>
Income (Loss) before other revenues, expenses, gains or losses	5,540	3,005
Other revenues, expenses, gains or losses	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Position	5,540	3,005
Net Position at Beginning of Year	<u>61,442</u>	<u>58,437</u>
Net Position at End of Year	<u><u>\$ 66,982</u></u>	<u><u>\$ 61,442</u></u>

Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are included in the exhibits on the following page. The largest operating revenue is student tuition and the largest operating expense is instruction. The auxiliary services of dining hall, residence hall, and print shop are self-supporting.



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

Statement of Cash Flows (thousands of dollars)

	<u>2021-2022</u>	<u>2020-2021</u>
Cash provided (used) by		
Operating activities	\$ (13,509)	\$ (25,262)
Noncapital financing activities	30,576	29,765
Capital and related financing activities	(5,233)	(7,013)
Investing activities	<u>51</u>	<u>9</u>
Net Change in Cash	11,885	(2,501)
Cash, beginning of year	11,231	13,732
Restatements	<u>0</u>	<u>0</u>
Cash, end of year	<u>\$ 23,116</u>	<u>\$ 11,231</u>

Economic Outlook

Enrollment improved for the 2021-2022 fiscal year compared to the prior year, which was negatively affected by the Covid-19 pandemic. The pandemic has had a global effect on virtually all types of business operations and is expected to continue to slightly impact the college's financial position during fiscal year 2022-2023. The College will minimize these negative financial effects with funds received from the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) grant.

The College's overall financial position is strong. The College expects enrollment growth to continue to increase at a steady rate and hopefully return to pre Covid-19 levels during the 2023-2024 fiscal year. The College will maintain a close watch over resources to assure the College's ability to react to unexpected internal and external issues.

Basic Financial Statements

Southern Union State Community College
Statement of Net Position
September 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 23,115,838
Short-term investments	3,678,383
Accounts receivable (net of allowance for doubtful accounts)	3,521,701
Inventories	17,846
Deposit with bond trustee	891,155
Other current assets	1,050
Total current assets	<u>31,225,973</u>

Noncurrent Assets

Capital assets	
Land	1,159,258
Improvements other than buildings	7,179,599
Buildings and building alterations	128,567,365
Equipment and furniture	11,810,915
Library holdings	853,891
Construction in progress	120,180
Leased right of use assets	366,156
Less accumulated depreciation	<u>(48,317,609)</u>
Total noncurrent assets	<u>101,739,755</u>
Total assets	<u>132,965,728</u>

Deferred Outflow of Resources

Pension	5,548,375
Other postemployment benefit (OPEB)	<u>4,303,768</u>
Total deferred outflow of resources	<u>9,852,143</u>

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

Liabilities**Current Liabilities**

Accounts payable and accrued liabilities	\$ 2,975,421
Bond surety fee payable	10,017
Unearned revenue	8,143,016
Compensated absences	98,179
Lease payable	27,257
Bonds payable	2,057,203
Total current liabilities	<u>13,311,093</u>

Noncurrent Liabilities

Compensated absences	883,610
Lease payable	245,313
Bonds payable	20,462,871
Net pension	19,013,000
Net OPEB liability	8,269,640
Total noncurrent liabilities	<u>48,874,434</u>
Total liabilities	<u>62,185,527</u>

Deferred Inflow of Resources

Pensions	6,040,000
Other postemployment benefit (OPEB)	7,610,622
Total deferred inflow of resources	<u>13,650,622</u>

Net Position

Invested in capital assets, net of related debt and depreciation	78,947,111
Restricted	
Expendable	
Debt service	888,735
Scholarships and fellowships	25,987
Training for business/industry	111,576
Unrestricted	(12,991,687)
Total net position	<u>\$ 66,981,722</u>

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

Operating Revenues

Student tuition and fees (net of scholarship allowances of \$6,872,266)	\$ 10,086,985
Other operating revenues	449,756
State grants and contracts	947,421
Nongovernmental grants and contracts	738,297
Sales and services of educational departments	63,748
Federal grants and contracts	5,636,875
Auxiliary enterprises	
Food service (net of scholarship allowances)	158,253
Housing (net of scholarship allowances)	115,222
Other auxiliary enterprises	151,004
Total operating revenues	<u>18,347,561</u>

Operating Expenses

Instruction	13,861,401
Academic support	4,341,445
Student services	4,113,219
Institutional support	3,211,934
Operation and maintenance of plant	4,987,654
Student aid (scholarships)	7,165,697
Auxiliary enterprises	1,199,724
Depreciation and amortization	3,785,797
Total operating expenses	<u>42,666,871</u>

Operating Income (Loss) (24,319,310)

Nonoperating Revenues

State appropriations - O & M	19,217,529
State appropriations - Special	189,603
State appropriations - Other	293,640
Federal grants and contracts	10,127,234
Gifts	500
Investment income (net of investment exp)	65,104
Noncash gifts/revenue	75,570
Other nonoperating revenues	884,959
Total nonoperating revenues	<u>30,854,139</u>

Nonoperating Expenses

Interest debt payments	818,800
Other nonoperating expenses	112,425
Bond surety fee expense	63,556
Total nonoperating expenses	<u>994,781</u>

Net Increase (Decrease)	5,540,048
Net Position - Beginning of Year	61,441,674
Net Position - End of Year	<u><u>\$ 66,981,722</u></u>

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

Southern Union State Community College
Statements of Cash Flows
For the Year Ended September 30, 2022

Cash Flows From Operating Activities

Tuition and fees	\$ 13,913,468
Grants and contracts	11,494,401
Payments to suppliers	(8,350,331)
Payments for utilities	(1,999,088)
Payments for employees	(17,018,785)
Payments for benefits	(5,312,646)
Payments for scholarships	(7,165,697)
Auxiliary enterprise charges	
Housing	115,222
Other auxiliary enterprise	301,025
Sales and services of educational activities	63,748
Other receipts	449,756
Net cash provided (used) by operating activities	<u>(13,508,927)</u>

Cash Flows From Noncapital Financing Activities

State appropriations	19,700,772
Bond surety fee expense	(89,926)
Gifts and grants for other than capital purposes	76,070
Federal direct loan receipts	5,562,896
Federal direct loan lending disbursements	(5,562,896)
Federal grant revenue - nonoperating	10,127,234
Other noncapital financing	761,985
Net cash provided (used) by noncapital financing activities	<u>30,576,135</u>

Cash Flows From Capital and Related Financing Activities

Proceeds from sale of capital assets	10,537
Purchases of capital assets and construction	(2,737,902)
Principal paid on capital debt and leases	(1,694,094)
Interest paid on capital debt and leases	(724,881)
Bond issue costs paid on new debt Issue	(77,499)
Deposits with trustees	(8,946)
Net cash provided (used) by capital and related financing activities	<u>(5,232,785)</u>

Cash Flows From Investing Activities

Investment income	65,104
Purchase of investments	(14,602)
Net cash provided (used) by investing activities	<u>50,502</u>

Net Increase (Decrease) in Cash and Cash Equivalents

11,884,925

Cash and Cash Equivalents - Beginning of the Year

11,230,913

Cash and Cash Equivalents - End of Year

\$ 23,115,838

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

Southern Union State Community College
Statements of Cash Flows
For the Year Ended September 30, 2022

Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities

Operating income (loss)	\$	(24,319,310)
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Adjustments to Reconcile Operating Income (Loss) to

Net Cash Provided (Used) by Operating Activities

Depreciation expense		3,697,564
Changes in assets and liabilities		
Receivables (net)		3,849,153
Inventory		(6,700)
Other assets		310,264
Deferred outflows		1,446,402
Accounts payable		(238,577)
Unearned revenue		4,140,908
Deposits held for others		(10)
Compensated absences		23,082
Pension liability		(6,588,000)
OPEB liability		(1,856,490)
Deferred inflows		6,032,787

Net Cash Provided (Used) by Operating Activities	\$	(13,508,927)
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The accompanying notes are an integral part of the financial statements.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies

The financial statements of Southern Union State Community College (the College) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

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

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

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

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. The College has determined that all federal grant and contracts (excluding Pell, SEOG, Federal Work Study, and certain COVID-19 relief grants), state grants and contracts, local grants and contracts and nongovernmental grants and contracts, which are not designated for the purchase of capital assets, will be considered operating revenue. Nonoperating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations, gifts, and Pell, SEOG, Federal Work Study, and certain COVID-19 relief grants.

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

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

Capital assets - Capital assets, other than intangibles, with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) 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.

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight-line by individual building	50 years
Building alterations	Straight-line	25 years
Collections	Not depreciated	
Improvements other than buildings and infrastructure	Straight-line	25 years
Construction in progress	Not depreciated	
Furniture and equipment greater than \$25,000	Straight-line	10 years
Furniture and equipment \$5,000 to \$25,000	Straight-line	5 years
Library materials	Composite	20 years
Capitalized software	Straight-line	10 years
Internally generated computer software	Straight-line	10 years
Easement and land use rights	Straight-line	20 years
Patents, trademarks, and copyrights	Straight-line	20 years

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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.

Long-term obligations - Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds.

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

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.

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

Net position - Net position is defined as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is required to be classified for accounting and reporting purposes into the following categories:

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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

Restricted

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

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.

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.

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

Scholarship allowances and student aid - Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the College and the amount that is paid by the student and/or third parties making payments on behalf of the student. The College uses the case-by-case method to determine the amount of scholarship allowances and discounts.

New accounting pronouncements - 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, changed the recognition and reporting requirement of 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
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, postponed the effective dates of pronouncements that were scheduled to become effective during the current reporting year.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of this standard has no impact on beginning net position as the transition adjustments for the lessee lease in existence as of October 1, 2021 result in a right of use asset and a lease liability of \$366,156.

Note 2 - Deposits and Investments

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

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

Investments - The College may invest its funds in a manner consistent with all applicable state and federal regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit rating as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U. S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 2 - Deposits and Investments (continued)

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

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

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

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

The Statement of Net Position current investment classification consists of non-negotiable certificates of deposit in the amount of \$3,678,383. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note. At September 30, 2022, the College had \$891,155 in accounts administered by its bond trustee. In accordance with the covenants of the College's Revenue Bond Series 2012, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States. All instruments purchased are deemed money market instruments as defined in rule 2a7 and priced at amortized cost.

The entire balance on deposit with the trustee is invested in First American Funds which consist of Treasury securities and Treasury repurchase agreements. The fund is rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 2 - Deposits and Investments (continued)

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

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

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

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

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

Fair Value Measurement Using				
Fair Value	September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. government guaranteed	-			
Total debt securities	-	\$ -	\$ -	\$ -
 Certificates of deposit	\$ 3,678,383			
Other	891,155			
Total	\$ 4,569,538			

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

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 3 - Receivables

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

Accounts Receivable

Student tuition and fees	\$ 1,676,927
Auxiliary expenses	8,233
Third-party tuition and fees receivable	1,333,445
Federal grants and contracts	2,200,367
State grants and contracts	146,964
Interest receivable	3,319
Agency receivable	15,034
Allowance for doubtful accounts	(1,862,588)
Total accounts receivables	<u>\$ 3,521,701</u>

Note 4 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets				
Land	\$ 1,159,258			\$ 1,159,258
Buildings	124,602,515	3,177,510		127,780,025
Building alterations		787,340		787,340
Improvements other than buildings and infrastructure	7,179,599			7,179,599
Construction in progress	4,031,116	53,914	(3,964,850)	120,180
Furniture and equipment greater than \$25,000	6,285,120	1,294,758	(220,675)	7,359,203
Furniture and equipment \$25,000 or less	3,820,267	790,057	(158,612)	4,451,712
Library materials	832,105	21,786		853,891
Total at historical cost	<u>147,909,980</u>	<u>6,125,365</u>	<u>(4,344,137)</u>	<u>149,691,208</u>
Less accumulated depreciation				
Buildings	34,578,076	2,476,249		37,054,325
Improvements other than buildings and infrastructure	2,692,492	268,208		2,960,700
Furniture and equipment greater than \$25,000	4,498,109	440,196	(181,612)	4,756,693
Furniture and equipment \$25,000 or less	2,956,635	470,216	(186,874)	3,239,977
Library materials	174,986	42,695		217,681
Total accumulated depreciation	<u>44,900,298</u>	<u>3,697,564</u>	<u>(368,486)</u>	<u>48,229,376</u>
Capital assets, net	<u>103,009,682</u>	<u>2,427,801</u>	<u>(3,975,651)</u>	<u>101,461,832</u>
Right to use lease assets	366,156			366,156
Less accumulated amortization		88,233		88,233
Total right to use lease assets, net	<u>366,156</u>	<u>(88,233)</u>		<u>277,923</u>
Total capital and right to use assets, net	<u>\$ 103,375,838</u>	<u>\$ 2,339,568</u>	<u>\$ (3,975,651)</u>	<u>\$ 101,739,755</u>

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 5 - Defined Benefit Pension Plan

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

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 up to 80% of their average final compensation. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions - Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS 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.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation until September 30, 2021. Effective October 1, 2021, Tier 2 covered members were required by statute to contribute 6.2% of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7.2% of earnable compensation.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 5 - Defined Benefit Pension Plan (continued)

Participating employers' contractually required contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2022, total employer contributions to the pension plan from the College were \$1,835,375.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022, the College reported a liability of \$19,013,000 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 0.201827%, which was a decrease of 0.005139% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the College recognized pension expense of \$1,683,000. 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	\$ 880,000	\$ 1,108,000
Changes of assumptions	1,996,000	
Net difference between projected and actual earnings on pension plan investments		4,488,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	837,000	444,000
Employer contributions subsequent to the measurement date	1,835,375	
Totals	<u>\$ 5,548,375</u>	<u>\$ 6,040,000</u>

The \$1,835,375 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 the pension will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	
2023	\$ (105,000)
2024	(147,000)
2025	(672,000)
2026	(1,403,000)
2027	
Thereafter	

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 5 - Defined Benefit Pension Plan (continued)

Actuarial assumptions - The total pension liability as of September 31, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected salary increases	3.25 - 5.00%
Investment rate of return (*)	7.45%

(*) Net of pension plan investment expense, including inflation

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:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: None	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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 5 - Defined Benefit Pension Plan (continued)

	Allocation of Return (*)	Long-Term Target Expected Rate (*)
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%.

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

Sensitivity of the College's proportionate share of the Collective Net Pension Liability to Changes in the Discount Rate - The following table presents the College's proportionate share of the 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 (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of the collective net pension liability	\$ 27,985	\$ 19,013	\$ 11,456

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 6 - Other Postemployment Benefits (OPEB)

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.

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

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

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

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 6 - Other Postemployment Benefits (OPEB) (continued)

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. 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 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions - The Code of Alabama 1975, Section 16-25A-8 and the Code of Alabama 1975, Section, 16-25A-8.1 provide the 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At September 30, 2022, the College reported a liability of \$8,269,640 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the College's proportion was 0.160053%, which was an increase of 0.004023% from its proportion measured as of September 30, 2020.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 6 - Other Postemployment Benefits (OPEB) (continued)

For the year ended September 30, 2022, the College recognized OPEB expense of \$(490,128) with no special funding situations. At September 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 195,660	\$ 2,877,023
Changes of assumptions	2,945,152	3,205,383
Net difference between projected and actual earnings on OPEB plan investments		257,959
Changes in proportion and differences between employer contributions and proportionate share of contributions	835,207	1,270,257
Employer contributions subsequent to the measurement date	327,749	
Total	<u>\$ 4,303,768</u>	<u>\$ 7,610,622</u>

The \$327,749 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

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

<u>Year Ending September 30</u>	
2023	\$ (1,184,952)
2024	(943,597)
2025	(1,054,483)
2026	(166,082)
2027	(78,244)
Thereafter	(207,245)

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:

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 6 - Other Postemployment Benefits (OPEB) (continued)

Inflation	2.50%
Projected salary increases (1)	3.25% - 5.00%
Long-term investment rate of return (2)	7.00%
Municipal bond index rate at the measurement date	2.29%
Municipal bond index rate at the prior measurement date	2.25%
Projected year for fiduciary net position (FNP) to be depleted	2051
Single equivalent interest rate at the measurement date	3.97%
Single equivalent interest rate at the prior measurement date	3.05%
Healthcare cost trend rate	
Pre-medicare eligible	6.50%
Medicare eligible	(**)
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2028
Medicare eligible	4.50% in 2025

(1) Includes 2.75% wage inflation

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

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

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 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/ Setback (-)	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

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 TRS Board on September 13, 2021.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 6 - Other Postemployment Benefits (OPEB) (continued)

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 will be 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:

	Allocation of Return (*)	Long-Term Target Expected Rate (*)
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>	

(*) Geometric mean includes inflation of 2.50%.

Discount rate - The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 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. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Sensitivity of the College's proportionate share of the collective net OPEB liability to changes in healthcare cost trend rates - The following table presents the College's proportionate share of the 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:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
College's net OPEB liability	\$ 6,488,960	\$ 8,269,640	\$ 10,563,873

Sensitivity of the College's proportionate share of the collective net OPEB liability to changes in the discount rate - The following table presents the College's proportionate share of the 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:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
College's net OPEB liability	\$ 10,172,023	\$ 8,269,640	\$ 6,743,719

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is 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.

Note 7 - Construction and Other Significant Commitments

As of September 30, 2022, the College had two projects for which final payment had not been made totaling \$407,936.

As of September 30, 2022, the College had been awarded \$2,934,289 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide for specific purposes, have not been reflected in the financial statements.

Note 8 - Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Lease Obligations	\$ 366,156		\$ 93,586	\$ 272,570	\$ 27,257
Revenue Bonds					
Series 2012	24,265,000		1,970,000	22,295,000	2,030,000
Premium	299,237		27,203	272,034	27,203
Total bonds	24,564,237		1,997,203	22,567,034	2,057,203
Other Liabilities					
Compensated absences	958,707	\$ 23,082		981,789	98,179
Total long-term liabilities	\$ 25,889,100	\$ 23,082	\$ 2,090,789	\$ 23,821,393	\$ 2,182,639

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

Note 8 - Long-Term Debt (continued)

Revenue bonds were issued in November 2012 by the State Department of Education to provide funds for the refunding of the 2003 Revenue Bond series and to provide funding to finance the acquisition, construction, and installation of various capital improvements.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees are sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Bonds Payable		
	Principal	Interest	Totals
2023	\$ 2,030,000	\$ 774,475	\$ 2,804,475
2024	1,950,000	713,575	2,663,575
2025	2,010,000	655,075	2,665,075
2026	2,090,000	574,675	2,664,675
2027	2,170,000	495,200	2,665,200
2028	2,250,000	415,900	2,665,900
2029	2,320,000	348,400	2,668,400
2030	2,410,000	255,600	2,665,600
2031	2,490,000	177,275	2,667,275
2032	2,575,000	90,125	2,665,125
Totals	<u>\$ 22,295,000</u>	<u>\$ 4,500,300</u>	<u>\$ 26,795,300</u>

Pledged revenues - The Alabama State Board of Education pledged student tuition and fees to repay \$32,620,000 in Southern Union State Community College Refunding and Improvement Revenue Bonds issued in November 2012. A portion of the funds were used to refund the College's outstanding Revenue Bonds Series 2003, issued in the original principal amount of \$19,475,000 and outstanding in November 2012 in the amount of \$12,755,000. The remaining portion of the bond funds was used to provide funding to finance the acquisition, construction, and installation of various capital improvements. Future revenues in the amount of \$26,795,300 are pledged to repay principal and interest on the bonds at September 30, 2022. Pledged revenues in the amount of \$13,412,713 were received during the fiscal year ended September 30, 2022, with \$2,803,575 or 20.9% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2032.

Southern Union State Community College
Notes to Financial Statements
For the Year Ended September 30, 2022

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.

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 - Subsequent Events

The College has evaluated subsequent events through January 13, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2022 have been incorporated into these financial statements..

Note 11 - Leases

On October 14, 2021, the College entered into a 48 month lease as Lessee for the use of a Xerox Copier. An initial lease liability was recorded in the amount of \$366,156. As of September 30, 2022, the value of the lease liability is \$272,570. The College is required to make monthly fixed payments of \$7,799. The lease has an interest rate of 1.1340%. The equipment estimated useful life was 48 months as of the contract commencement. The value of the right to use asset as of September 30, 2022 of \$366,156 with accumulated amortization of \$88,233.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2022 are as follows:

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2023	\$ 90,928	\$ 2,657	\$ 93,585
2024	91,965	1,621	93,586
2025	89,677	572	90,249
Total minimum future lease obligations	<u>\$ 272,570</u>	<u>\$ 4,850</u>	<u>\$ 277,420</u>

Required Supplementary Information

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the collective net pension liability	0.20%	0.21%	0.20%	0.20%	0.19%	0.19%	0.20%	0.20%
College's proportionate share of the collective net pension liability	\$ 19,013	\$ 25,601	\$ 21,661	\$ 19,429	\$ 18,788	\$ 20,275	\$ 20,612	\$ 17,886
College's covered payroll during the measurement period (*)	\$ 14,671	\$ 14,714	\$ 13,970	\$ 13,033	\$ 12,627	\$ 11,902	\$ 12,876	\$ 12,890
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	129.60%	173.99%	155.05%	149.08%	148.79%	170.35%	160.08%	138.76%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,835	\$ 1,768	\$ 1,784	\$ 1,700	\$ 1,569	\$ 1,452	\$ 1,365	\$ 1,454
Contributions in relation to the contractually required contribution	<u>1,835</u>	<u>1,768</u>	<u>1,784</u>	<u>1,700</u>	<u>1,569</u>	<u>1,452</u>	<u>1,365</u>	<u>1,454</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 15,250	\$ 14,671	\$ 14,714	\$ 13,970	\$ 13,033	\$ 12,627	\$ 11,902	\$ 12,876
Contributions as a percentage of covered payroll	12.03%	12.05%	12.12%	12.17%	12.04%	11.50%	11.47%	11.29%

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

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

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the collective net OPEB liability	0.16%	0.16%	0.18%	0.17%	0.16%
College's proportionate share of the collective net OPEB liability (asset)	\$ 8,270	\$ 10,126	\$ 6,699	\$ 13,876	\$ 12,048
College's covered-employee payroll during the measurement period (*)	\$ 14,536	\$ 14,501	\$ 13,506	\$ 12,814	\$ 12,435
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	56.89%	69.83%	49.60%	108.29%	96.89%
Plan fiduciary net position as a percentage of the total collective OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan.

The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2022 year is October 1, 2020 through September 30, 2021.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 328	\$ 279	\$ 308	\$ 505	\$ 420
Contributions in relation to the contractually required contribution	<u>328</u>	<u>279</u>	<u>308</u>	<u>505</u>	<u>420</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 15,541	\$ 14,536	\$ 14,501	\$ 13,506	\$ 12,814
Contributions as a percentage of covered-employee payroll	2.11%	1.92%	2.12%	3.74%	3.28%

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

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

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

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

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

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

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

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

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:

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

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.