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# **Alabama Technology Network**

## **A Component Unit of the State of Alabama**

### **Independent Auditor's Reports and Financial Statements**

September 30, 2023



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**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**September 30, 2023**

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## Independent Auditor's Report

Alabama Community College System Board of Trustees  
Alabama Technology Network  
Montgomery, Alabama

### Report on the Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Network as of September 30, 2023 and the changes in its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Network, 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 Network's ability to continue as a going concern for 12 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network'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 Network'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 management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Network's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

**FORVIS, LLP**

Houston, Texas  
January 16, 2024

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

Overview of the Financial Statements and Financial Analysis

The intent of the Management's Discussion and Analysis is to help the reader better understand the financial condition and activities of the organization that have occurred during the fiscal year ended September 30, 2023. This document has been prepared by management of the Alabama Technology Network (ATN or the Network) and should be read in conjunction with the financial statements and the notes to the financial statements.

ATN's financial report consists of the following statements:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

The objective of these statements is to present the financial position, operating activities, and cash flows of the organization.

Alabama Technology Network

ATN provides workforce development and technical assistance to manufacturers and businesses throughout Alabama. Through the expertise of field staff located at 16 community colleges, the University of Alabama in Tuscaloosa and Huntsville, and Auburn University, the Network is making the state's industries more competitive. ATN accomplishes this by providing hands-on training and technical assistance that create jobs, save jobs, increase sales, and/or reduce the cost of doing business.

ATN links the state's manufacturers with cutting edge solutions and resources from around the country. As an affiliate of the Department of Commerce's National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) program, ATN offers solutions in virtually all areas of manufacturers' operations.

ATN became part of the Alabama Community College System (ACCS) in October 2004. By joining the System, ATN has expanded its outreach and has been able to provide additional resources to assist more small and medium size companies throughout the state.

The Statement of Net Position

The statement of net position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement of net position is a point-in-time financial statement. The purpose of the statement of net position is to present a fiscal snapshot of ATN. The statement of net position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources).

Net position is divided into three major categories. The first category, net investment in capital assets, provides the organization's equity in property, plant, and equipment owned by the organization. The next category is restricted net position, which is subdivided into nonexpendable and expendable classifications.

**Alabama Technology Network**  
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**Year Ended September 30, 2023**

Currently, ATN does not have a restricted component on these statements. Expendable restricted net position is available for expenditure by ATN but must be spent for purposes as determined by donors and/or external entities that have placed time or purposes restrictions on the use of the assets. The final major category, unrestricted net position, is available to the organization for any lawful purpose.

**Condensed Statement of Net Position**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets	\$ 13,851,400	\$ 13,255,273
Capital assets, net	441,269	281,085
Total Assets	<u>14,292,669</u>	<u>13,536,358</u>
Deferred outflows of resources	<u>4,888,113</u>	<u>3,206,753</u>
<b>Liabilities</b>		
Current liabilities	793,794	794,235
Noncurrent liabilities	<u>11,760,924</u>	<u>9,298,640</u>
Total liabilities	<u>12,554,718</u>	<u>10,092,875</u>
Deferred inflows of resources	<u>3,422,568</u>	<u>4,211,387</u>
<b>Net Position</b>		
Net investment in capital assets	353,198	122,536
Unrestricted	<u>2,850,298</u>	<u>2,316,313</u>
Total net position	<u>\$ 3,203,496</u>	<u>\$ 2,438,849</u>

**Results of Operations**

The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the fiscal year. Revenue and expense activities are categorized as either operating or nonoperating. Operating revenues are received for providing goods and services to the various customers and constituencies of ATN. Operating expenses are those expenses incurred while carrying out programs offered by ATN. Nonoperating revenues are revenues received for which goods and services are not provided. State appropriations are considered nonoperating revenue.

Due to this operating/nonoperating classification and because state appropriations are classified as nonoperating, ATN's statement of revenues, expenses, and changes in net position reports an operating loss. This reported operating loss is typical of state supported/assisted organizations and demonstrates the reliance on State support. The operating loss for 2023 was \$5,277,435.

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<b>2023</b>	<b>2022</b>
Operating Revenues	\$ 4,757,235	\$ 4,610,663
Operating Expenses	<u>10,034,670</u>	<u>8,702,688</u>
Operating Loss	(5,277,435)	(4,092,025)
Nonoperating Revenue, Net	<u>6,042,082</u>	<u>5,755,257</u>
Increase in Net Position	764,647	1,663,232
Net Position, Beginning of Year	<u>2,438,849</u>	<u>775,617</u>
Net Position, End of Year	<u><u>\$ 3,203,496</u></u>	<u><u>\$ 2,438,849</u></u>

**ATN's Cash Flows**

The statement of cash flows presents detailed information about the cash activity of the organization during the fiscal year. This statement is designed to present the sources and uses of cash resources. Governmental Accounting Standards Board (GASB) Statement No. 34 classifies State appropriations and gift revenues as two sources of nonoperating revenues relied upon heavily by institutions such as ATN, while classifying the related expenditures of these sources as operating expenses. The statement activity is categorized into five parts:

- Operating activities
- Noncapital financing activities
- Capital and related financing activities
- Investing activities
- A reconciliation of the net cash used to the operating income or loss reflected in the statement of revenues, expenses, and changes in net position

The first part deals with operating cash flows and shows the net cash used for operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income reflected on the statement of revenues, expenses, and changes in net position.



**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2023**

**Condensed Statement of Cash Flows**

	<b>2023</b>	<b>2022</b>
<b>Cash Provided by (Used in)</b>		
Operating activities	\$ (4,394,330)	\$ (4,266,733)
Noncapital financing activities	5,956,736	5,745,195
Capital and related financing activities	(394,858)	10,062
Investing activities	<u>85,346</u>	<u>(65,995)</u>
Net Change in Cash and Cash Equivalents	1,252,894	1,422,529
Cash and Cash Equivalents, Beginning of Year	<u>11,809,453</u>	<u>10,386,924</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,062,347</u></u>	<u><u>\$ 11,809,453</u></u>

The condensed statement presented above illustrates ATN's significant reliance upon State appropriations to meet its operating demands. Of the \$5,956,736 in cash provided by noncapital financing activities, 100 percent is attributable to state appropriations.

**Economic Outlook**

ATN's overall financial position is strong. ATN will continue to safeguard all assets while operating regarding the policies as required. ATN is not aware of any other known facts, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations in the next fiscal year. ATN will continue to focus its efforts on improving the productivity and competitiveness of our State's employers.

## **Financial Statements**

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Statement of Net Position**  
**September 30, 2023**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 13,062,347
Accounts Receivable (net of allowance for doubtful accounts)	789,053

<b>Total Current Assets</b>	<b><u>13,851,400</u></b>
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**Noncurrent Assets**

Capital and Lease assets	
Equipment and Furniture	2,308,634
Lease Assets	205,972
Less: Accumulated Depreciation and Amortization	<u>(2,073,337)</u>

<b>Total Noncurrent Assets</b>	<b><u>441,269</u></b>
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<b>TOTAL ASSETS</b>	<b><u>14,292,669</u></b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension	3,811,698
Other Postemployment Benefit (OPEB)	<u>1,076,415</u>

<b>Total Deferred Outflows of Resources</b>	<b><u>4,888,113</u></b>
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**LIABILITIES**

**Current Liabilities**

Deposits	223,198
Accounts Payable and Accrued Liabilities	467,235
Compensated Absences	37,208
Leases Payable	<u>66,153</u>

<b>Total Current Liabilities</b>	<b><u>793,794</u></b>
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**Noncurrent Liabilities**

Compensated Absences	706,951
Leases Payable	21,917
Net Pension Liability	10,313,000
Net OPEB Liability	<u>719,056</u>

<b>Total Noncurrent Liabilities</b>	<b><u>11,760,924</u></b>
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<b>TOTAL LIABILITIES</b>	<b><u>12,554,718</u></b>
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**DEFERRED INFLOWS OF RESOURCES**

Pensions	618,000
Other Postemployment Benefit	<u>2,804,568</u>

<b>Total Deferred Inflows of Resources</b>	<b><u>3,422,568</u></b>
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**NET POSITION**

Net Investment in Capital Assets	353,198
Unrestricted	<u>2,850,298</u>

<b>TOTAL NET POSITION</b>	<b><u>\$ 3,203,496</u></b>
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**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended September 30, 2023**

<b>Operating Revenues</b>	
Fees for Service	\$ 2,226,103
Other Operating Revenues	221,116
State Grants and Contracts	67,922
Federal Grants and Contracts	2,242,094
<b>Total Operating Revenues</b>	<u>4,757,235</u>
<b>Operating Expenses</b>	
Instruction	7,491,163
Institutional Support	2,379,312
Depreciation and Amortization	164,195
<b>Total Operating Expenses</b>	<u>10,034,670</u>
<b>Operating Loss</b>	<u>(5,277,435)</u>
<b>Nonoperating Revenues</b>	
State Appropriations	5,956,736
Investment Income, Net	85,346
<b>Total Nonoperating Revenues</b>	<u>6,042,082</u>
<b>Net Increase in Net Position</b>	<u>764,647</u>
Net Position – Beginning of Year	<u>2,438,849</u>
<b>Net Position – End of Year</b>	<u><u>\$ 3,203,496</u></u>

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Statement of Cash Flows**  
**Year Ended September 30, 2023**

<b>Cash Flows from Operating Activities</b>	
Tuition and Fees	\$ 2,366,662
Grants and Contracts	2,380,340
Payments to Suppliers	(2,449,713)
Payments for Employees	(5,311,515)
Payments for Benefits	(1,667,162)
Other Receipts	287,058
<b>Net Cash Used in Operating Activities</b>	<b><u>(4,394,330)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
State Appropriations	5,956,736
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>5,956,736</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets and Construction	(324,379)
Principal Paid on Leases	(70,479)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b><u>(394,858)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment Income	85,346
<b>Net Cash Provided by Investing Activities</b>	<b><u>85,346</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,252,894</b>
Cash and Cash Equivalents, Beginning of the Year	11,809,453
Cash and Cash Equivalents, End of the Year	<b><u>\$ 13,062,347</u></b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (5,277,435)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</b>	
Depreciation and Amortization Expense	164,196
Changes in Assets and Liabilities:	
Receivables, Net	656,767
Deferred Outflows of Resources	(1,681,360)
Accounts Payable	48,259
Deposits Held for Others	(42,981)
Compensated Absences	(27,869)
Net Pension Liability	3,835,000
Net OPEB Liability	(1,280,087)
Deferred Inflows of Resources	(788,819)
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (4,394,330)</u></b>

# **Alabama Technology Network**

## **A Component Unit of the State of Alabama**

### **Notes to Financial Statements**

**September 30, 2023**

#### **Note 1: Summary of Significant Accounting Policies**

##### ***Nature of Operations and Reporting Entity***

The financial statements of Alabama Technology Network (Network) 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 Network are described below.

##### ***A. Reporting Entity***

The Network 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. GASB Statement No. 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 Network. In addition, the Network receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Network is considered for financial reporting purposes to be a component unit of the State of Alabama.

##### ***B. Measurement Focus, Basis of Accounting, and Presentation***

The financial statements of the Network 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 Network 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 fees, result from exchange transactions associated with the principal activities of the Network. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Network's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Notes to Financial Statements**  
**September 30, 2023**

***C. Use of Estimates***

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

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

***1. Deposits 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.

***2. Receivables***

Accounts receivable relate to amounts due from federal and state grants and contracts and third parties. The receivables are shown net of allowance for doubtful accounts.

***3. 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 that significantly increase values, change capacities, or extend useful lives are capitalized.

# **Alabama Technology Network**

## **A Component Unit of the State of Alabama**

### **Notes to Financial Statements**

**September 30, 2023**

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

<b>Assets</b>	<b>Depreciation Method</b>	<b>Useful Lives</b>
Equipment	Straight Line	5–10 years

#### **4. Lease Assets**

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

#### **5. Capital and Lease Asset Impairment**

The Network evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the year ended September 30, 2023.

#### **6. 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 position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

#### **7. Compensated Absences**

No liability is recorded for sick leave. Substantially all employees of the Network 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 that 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.

Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.



**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Notes to Financial Statements**  
**September 30, 2023**

**8. *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 position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

**9. *Cost-Sharing Defined Benefit Pension Plan***

The Teachers' Retirement System of Alabama's (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position on the Plan, and additions to/deductions from the Plan's fiduciary net position. 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.

**10. *Cost-Sharing Defined Benefit Other Postemployment Benefit Plan (OPEB)***

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

**11. *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:

- 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

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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 expendable – Net position whose use by the Network is subject to externally imposed stipulations that can be fulfilled by actions of the Network pursuant to those stipulations or that expire by the passage of time.
- Restricted nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the Network.
- Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

**12. Federal Financial Assistance Programs**

The Network 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).

**13. New Accounting Pronouncements**

During the current fiscal year, the Network implemented the following new accounting pronouncements issued by GASB:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

GASB Statement No. 99, *Omnibus 2022*

The implementation of these pronouncements did not have an impact on the financial statements as of and for the year ended September 30, 2023.

**Note 2: Deposits**

***Custodial Credit Risk***

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 State 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

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collateral against those deposits. In the event of failure of a financial institution, securities pledged by the financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Therefore, no deposits are subject to custodial risk.

#### Note 3: Receivables

Receivables are reported and summarized as follows:

Federal Grants and Contracts	\$ 407,065
State Grants and Contracts	9,781
Other	373,707
Less Allowance for Doubtful Accounts	<u>(1,500)</u>
<b>Total Accounts Receivable</b>	<b><u>\$ 789,053</u></b>

#### Note 4: Capital and Lease Assets

Capital and lease assets activity for the year ended September 30, 2023 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
Furniture and Equipment	\$ 2,873,867	\$ 324,380	\$ (889,613)	\$ 2,308,634
Lease Building	117,321	-	-	117,321
Lease Equipment	99,123	-	(10,472)	88,651
<b>Total</b>	<b><u>3,090,311</u></b>	<b><u>324,380</u></b>	<b><u>(900,085)</u></b>	<b><u>2,514,606</u></b>
<b>Less Accumulated Depreciation and Amortization</b>				
Furniture and Equipment	2,749,147	94,078	(889,613)	1,953,612
Lease Building	39,107	39,107	-	78,214
Lease Equipment	20,972	31,011	(10,472)	41,511
<b>Total Accumulated Depreciation and Amortization</b>	<b><u>2,809,226</u></b>	<b><u>164,196</u></b>	<b><u>(900,085)</u></b>	<b><u>2,073,337</u></b>
<b>Capital Assets, Net</b>	<b><u>\$ 281,085</u></b>	<b><u>\$ 160,184</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 441,269</u></b>

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#### Note 5: Long-Term Liabilities

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

	Beginning Balance		Additions		Reductions		Ending Balance
Leases Payable	\$ 158,549	\$	-	\$	70,479	\$	88,070
Compensated Absences	772,028		71,491		99,361		744,158
	<u>\$ 930,577</u>	\$	<u>71,491</u>	\$	<u>169,840</u>	\$	<u>832,228</u>

The future principal and interest lease payments as of fiscal year-end are as follows:

Fiscal Year Ending	Principal	Interest	Total
2024	\$ 66,153	\$ 837	\$ 66,990
2025	16,155	282	16,437
2026	5,762	58	5,820
Total	<u>\$ 88,070</u>	<u>\$ 1,177</u>	<u>\$ 89,247</u>

#### Note 6: Pension Plans

##### **Cost-Sharing Defined Benefit 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](http://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,

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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 percent 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 percent of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution, which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

### ***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 percent of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6 percent 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 percent 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 percent of earnable compensation.

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

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.43 percent of annual pay for Tier 1 members and 11.32 percent of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2023, total employer contributions to the pension plan from the Network were \$659,000.

#### *Actuarial Assumptions*

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

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases	3.25%–5.00%

\*Net of pension plan investment expense, including inflation

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

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

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

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#### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

\*Includes assumed rate of inflation of 2.00%.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.45 percent. 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 participating employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rate. Based on those assumptions, the pension plan's fiduciary net position was 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.

#### *Pension Liabilities*

At September 30, 2023, the Network reported a liability of \$10,313,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The Network'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

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TRS employers. At September 30, 2022, the Network's proportion was 0.066363 percent, which was a decrease of 0.002401 percent from its proportion measured as of September 30, 2021.

***Sensitivity of the Network's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the Network's proportionate share of the net pension liability calculated using the discount rate of 7.45 percent, as well as what the Network'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 percent) or 1-percentage-point higher (8.45 percent) than the current rate (dollar amounts in thousands):

	<b>1% Decrease (6.45%)</b>	<b>Current Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
Network's proportionate share of collective net pension liability	\$ 13,345	\$ 10,313	\$ 7,760

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended September 30, 2023, the Network recognized pension expense of approximately \$1,243,000. At September 30, 2023, the Network reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 227,000	\$ 250,000
Changes of assumptions	468,000	-
Net difference between projected and actual earnings on pension plan investments	2,070,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	388,000	368,000
Employer contributions subsequent to the measurement date	659,000	-
Total	<u>\$ 3,812,000</u>	<u>\$ 618,000</u>

The \$659,000 reported as deferred outflows of resources related to pensions resulting from Network pension liability in the year ended September 30, 2024.



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

<b>Year ended</b>	
<b>September 30</b>	
2024	\$ 687,000
2025	650,000
2026	420,000
2027	778,000
Total	<u>\$ 2,535,000</u>

#### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

#### **Note 7: Other Postemployment Benefit Plan**

##### ***Cost-Sharing Defined Benefit OPEB Plan***

###### ***Plan Description***

The Alabama Retired Education Employees' Health Care Trust (the Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the *Alabama Retiree Health Care Funding Act of 2007*, which authorized and directed the Public Education Employees' Health Insurance Board (the Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through the 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 that provide instruction at any combination of grades K-14 (collectively, eligible employees) and to provide a method for funding

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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. 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.

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

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members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

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

#### *Actuarial Assumptions*

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

Inflation	2.50%
Salary Increase <sup>1</sup>	3.25%–5.00%
Long-Term Investment Rate of Return <sup>2</sup>	7.00%
Municipal Bond Index Rate at Measurement Date	4.40%
Municipal Bond Index Rate at Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	3.97%
Healthcare cost trend rates	
Initial Trend Rate	
<i>Pre-Medicare Eligible</i>	6.50%
<i>Medicare Eligible</i>	**
Ultimate Trend Rate	
<i>Pre-Medicare Eligible</i>	4.50% in 2031
<i>Medicare Eligible</i>	4.50% in 2027

<sup>1</sup> Includes 2.75% wage inflation

<sup>2</sup> Compounded annually, net of investment expense, and includes inflation.

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

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3 percent 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.

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Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustment to Rates
Active members	Teacher Employee Below Median	None	65% Male: 108% ages < 63, 96% ages > 67, Phasing down 63 -67
Service Retirees	Teacher Below Median	Male: +2, Female: +2	Female: 112% ages < 69, 98% > age 74, Phasing down 69-74
Disabled Retirees	Teacher Disability Contingent	Male: +8, Female: +3	None
Beneficiaries	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, and submitted to and adopted by the TRS Board on September 13, 2021.

The remaining actuarial assumptions (*e.g.*, initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

#### ***Long-Term Expected Rate of Return***

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 TRS. 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 allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following table.

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	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
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%
	<b>100.00%</b>	

\*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 7.00 percent. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately 15.257 percent of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257 percent will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00 percent. It is assumed the \$800 rate will increase with inflation at 2.50 percent starting in 2027. 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. The projected future benefit payments for all current plan members were projected through 2120.

#### ***Contributions***

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

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

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

For the year ended September 30, 2023, total employer contributions to the Plan from the Network were approximately \$57,200.

#### ***OPEB Liabilities***

At September 30, 2023, the Network reported a liability of \$719,056 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Network's proportion of the collective net OPEB liability was based on the Network's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Network's proportion was 0.041267 percent, which was an increase of 0.002575 percent from its proportion measured as of September 30, 2021.

#### ***Sensitivity of the Network's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following table presents the Network's proportionate share of the Net OPEB liability of the Trust calculated using the current healthcare cost 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:

	<b>1% Decrease (5.50%)</b>	<b>Current Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Network's net OPEB liability	\$ 545,262	\$ 719,056	\$ 932,199

#### ***Sensitivity of the Network's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following table presents the Network's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00 percent, 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:

# Alabama Technology Network

## A Component Unit of the State of Alabama

### Notes to Financial Statements

September 30, 2023

	<u>1% Decrease (6.00%)</u>	<u>Current Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Network's net OPEB liability	\$ 889,007	\$ 719,056	\$ 576,388

#### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended September 30, 2023, the Network recognized OPEB income of \$442,083 with no special funding situations. At September 30, 2023, the Network reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,979	\$ 1,453,873
Changes of assumptions	583,253	1,046,630
Net difference between projected and actual earnings on OPEB plan investments	90,428	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	312,555	304,065
Employer contributions subsequent to the measurement date	57,200	-
Total	<u>\$ 1,076,415</u>	<u>\$ 2,804,568</u>

The \$57,200 reported as deferred outflows of resources related to OPEB resulting from the Network's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

# Alabama Technology Network

## A Component Unit of the State of Alabama

### Notes to Financial Statements

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.

<b>Year ended</b>	
<b><u>September 30</u></b>	
2024	\$ (473,909)
2025	(488,270)
2026	(216,573)
2027	(184,066)
2028	(255,434)
Thereafter	<u>(167,101)</u>
	<u><u>\$ (1,785,353)</u></u>

#### ***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, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

#### **Note 8: Risk Management**

The Network 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 Network 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 Network 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 that, in the aggregate, exceed \$6 million. The Network purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the Network has fidelity bonds on the Network's Executive Director and Director of Finance and Accounting as well as on all other Network personnel who handle funds.

#### **Note 9: Health Insurance**

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 are based on



**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Notes to Financial Statements**  
**September 30, 2023**

anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Network contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

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

Claims that 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 Network.

## **Required Supplementary Information**

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of the Network's Proportionate Share of the Net Pension Liability**  
**Teachers' Retirement Plan of Alabama**  
*(Dollar Amounts in Thousands)*  
**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
College's proportion of the net pension liability	0.076160%	0.072537%	0.070266%	0.067785%	0.069316%	0.061948%	0.064480%	0.068764%	0.066363%
College's proportionate share of the net pension liability	\$ 6,919	\$ 7,591	\$ 7,607	\$ 6,662	\$ 6,892	\$ 6,850	\$ 7,976	\$ 6,478	\$ 10,313
College's covered payroll	\$ 4,677	\$ 4,569	\$ 4,461	\$ 4,450	\$ 4,600	\$ 4,370	\$ 4,523	\$ 4,941	\$ 5,062
College's proportionate share of the net pension liability as a percentage of its covered payroll	148%	166%	171%	150%	150%	157%	176%	131%	204%
Plan fiduciary net position as a percentage of the total pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%	62.21%

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

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of Network Pension Contributions**  
**Teachers' Retirement System of Alabama**  
*(Dollar Amounts in Thousands)*  
**Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually Required Contribution	\$ 518	\$ 528	\$ 530	\$ 556	\$ 538	\$ 556	\$ 602	\$ 619	\$ 659
Contributions in relation to the contractually required contribution	<u>\$ 518</u>	<u>\$ 528</u>	<u>\$ 530</u>	<u>\$ 556</u>	<u>\$ 538</u>	<u>\$ 556</u>	<u>\$ 602</u>	<u>\$ 619</u>	<u>\$ 659</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,569	\$ 4,461	\$ 4,450	\$ 4,600	\$ 4,370	\$ 4,523	\$ 4,941	\$ 5,062	\$ 5,341
Contributions as a percentage of covered payroll	11.34%	11.84%	11.91%	12.09%	12.31%	12.29%	12.18%	12.23%	12.34%

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

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of the Network's Proportionate Share of the Net OPEB Liability**  
**Alabama Retired Education Employees' Health Care Trust**  
*(Dollar Amounts in Thousands)*  
**Last 10 Fiscal Years\***

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
College's proportion of the net OPEB liability (asset)	0.042058%	0.043351%	0.041969%	0.036170%	0.038692%	0.041267%
College's proportionate share of the net OPEB liability (asset)	\$ 3,124	\$ 3,563	\$ 1,583	\$ 2,347	\$ 1,999	\$ 719
College's covered payroll	\$ 4,450	\$ 4,600	\$ 4,370	\$ 4,523	\$ 4,941	\$ 5,062
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	70.20%	77.46%	36.22%	51.90%	40.46%	14.20%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%	14.81%	28.14%	19.80%	27.11%	48.39%

\* The amounts presented for each fiscal year were determined as of 9/30.

**Notes to schedule:**

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

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of the Network's OPEB Contributions**  
**Alabama Retired Education Employees' Health Care Trust**  
*(Dollar Amounts in Thousands)*  
**Last 10 Fiscal Years\***

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually Required Contribution	\$ 106	\$ 118	\$ 71	\$ 67	\$ 78	\$ 57
Contributions in relation to the contractually required contribution	<u>\$ 106</u>	<u>\$ 118</u>	<u>\$ 71</u>	<u>\$ 67</u>	<u>\$ 78</u>	<u>\$ 57</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,600	\$ 4,370	\$ 4,523	\$ 4,941	\$ 5,062	\$ 5,341
Contributions as a percentage of covered payroll	2.30%	2.70%	1.57%	1.36%	1.54%	1.07%

**Notes to schedule:**

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

# Alabama Technology Network

## A Component Unit of the State of Alabama

### Notes to Required Supplementary Information

#### Year Ended September 30, 2023

#### ***Changes in Actuarial Assumptions***

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	22 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

## **Supplementary Information**



**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2023**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Commerce</u></b>				
<b><u>Direct Programs</u></b>				
Manufacturing Extension Partnership	11.611		\$ 449,998	\$ 2,191,702
Manufacturing Extension Partnership	11.611		-	50,392
Total Manufacturing Extension Partnership			449,998	2,242,094
Total Expenditures of Federal Awards			\$ 449,998	\$ 2,242,094

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2023**

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alabama Technology Network (the Network) under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Network.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The Network has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

### **Independent Auditor's Report**

Alabama Community College System Board of Trustees  
Alabama Technology Network  
Montgomery, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Alabama Technology Network (the Network), a component unit of the State of Alabama, which comprise the Network's statement of net position as of September 30, 2023 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 16, 2024.

#### ***Report on Internal Control over Financial Reporting***

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

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

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

### ***Report on Compliance and Other Matters***

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

### ***Purpose of This Report***

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

**FORVIS, LLP**

Houston, Texas  
January 16, 2024

## **Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance**

### **Independent Auditor's Report**

Alabama Community College System Board of Trustees  
Alabama Technology Network  
Montgomery, Alabama

#### **Report on Compliance for the Major Federal Program**

##### ***Opinion on the Major Federal Program***

We have audited Alabama Technology Network's (the Network), a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Network's major federal program for the year ended September 30, 2023. The Network's major federal program is identified in the "Summary of Auditor's Results" section of the accompanying schedule of findings and questioned costs.

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

##### ***Basis for Opinion on the Major Federal Program***

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

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

##### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

Alabama Community College System Board of Trustees  
Alabama Technology Network

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS, LLP**

Houston, Texas  
January 16, 2024

# Alabama Technology Network

## A Component Unit of the State of Alabama

### Schedule of Findings and Questioned Costs

#### Year Ended September 30, 2023

### Section I – Summary of Auditor’s Results

#### *Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 

☒ Unmodified
☐ Qualified
☐ Adverse
☐ Disclaimer
2. Internal control over financial reporting:
 

Significant deficiency(ies) identified?

☐ Yes

☒ None reported

Material weakness(es) identified?

☐ Yes

☒ No
3. Noncompliance material to the financial statements noted?
 

☐ Yes
☒ No

#### *Federal Awards*

4. Internal control over major federal awards programs:
 

Significant deficiency(ies) identified?

☐ Yes

☒ None reported

Material weakness(es) identified?

☐ Yes

☒ No
5. Type of auditor’s report issued on compliance for major federal program(s):
 

☒ Unmodified
☐ Qualified
☐ Adverse
☐ Disclaimer
6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?
 

☐ Yes
☒ No
7. Identification of major federal program:

#### **Assistance Listing Number**

#### **Name of Federal Program or Cluster**

11.611

Manufacturing Extension Partnership

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee?
 

☐ Yes
☒ No



**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2023**

**Section II – Financial Statement Findings**

No matters reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters reportable.

**Alabama Technology Network**  
**A Component Unit of the State of Alabama**  
**Schedule of Prior Year Findings**  
**Year Ended September 30, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2022-01	<i>Federal Funding Accountability and Transparency Act</i> reporting was not prepared or submitted during fiscal year 2022.	Resolved