

Bishop State Community College

Mobile, Alabama

Financial Statements

September 30, 2023

Bishop State Community College
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September 30, 2023

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Independent Auditor's Report

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Mr. Olivier Charles, Acting President – Bishop State Community College
Mobile, Alabama

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying financial schedules are presented for purposes of additional analysis and are not required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the financial schedules and the schedule of expenditures of federal awards are 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 17, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

KASSOUF & CO., INC.



CPAs and Advisors

January 17, 2024

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

Overview of the Financial Statements and Financial Analysis

Bishop State Community College is proud to present its financial statements for fiscal year 2022-2023. The emphasis of discussion about these statements will be on current year data and a comparative analysis with prior year data. There are three financial statements presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis of the College's financial statements provide an overview of its financial activities for the year. The financial data represents the operation of the Main, Carver, Central and Southwest Campuses of Bishop State Community College.

Statement of Net Position

The Statement of Net Position presents the Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position of the College as of the end of the fiscal year, September 30, 2023. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Bishop State Community College. The financial statements present end of year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and Net Position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors, investors and lending institutions. In summary, the Statement of Net Position provides a picture of the net position (Assets plus Deferred Outflows minus Liabilities and Deferred Inflows) and their availability for expenditure by the College.

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

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

Statement of Net Position	2022-2023	2021-2022	Change
Assets:			
Current Assets	\$ 22,667,495	\$ 28,772,563	\$ (6,105,068)
Capital Assets, Net	77,322,656	60,563,482	16,759,174
Other Assets	332,088	353,666	(21,578)
Total Assets	<u>100,322,239</u>	<u>89,689,711</u>	<u>10,632,528</u>
Deferred Outflow of Resources	<u>11,030,915</u>	<u>7,309,958</u>	<u>3,720,957</u>
Liabilities:			
Current Liabilities	9,192,653	8,266,210	926,443
Non-current Liabilities	46,748,634	43,040,877	3,707,757
Total Liabilities	<u>55,941,287</u>	<u>51,307,087</u>	<u>4,634,200</u>
Deferred Inflow of Resources	12,617,813	14,340,685	(1,722,872)
Net Position:			
Net Investment in Capital Assets	58,581,552	41,403,980	17,177,572
Restricted -Non-Expendable	156,360	152,060	4,300
Unrestricted	(15,943,858)	(10,204,143)	(5,739,715)
Total Net Position	<u>\$ 42,794,054</u>	<u>\$ 31,351,897</u>	<u>\$ 11,442,157</u>

The College assets show an increase of \$10,632,528. Liabilities show an increase of \$4,634,200. This increase in assets is primarily due to the investment into new equipment and facilities for the growth of workforce development and continued construction in progress. Liabilities increased as bond payments begun, booked year end payables increased due to construction payments due at October 1 and the College's Net Pension liability increased this year based on actuary calculations.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenue received by the College (both operating and non-operating), and the expenses paid by the College (both operating and non-operating).

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

Statement of Revenues Expenses and Changes in Net Position

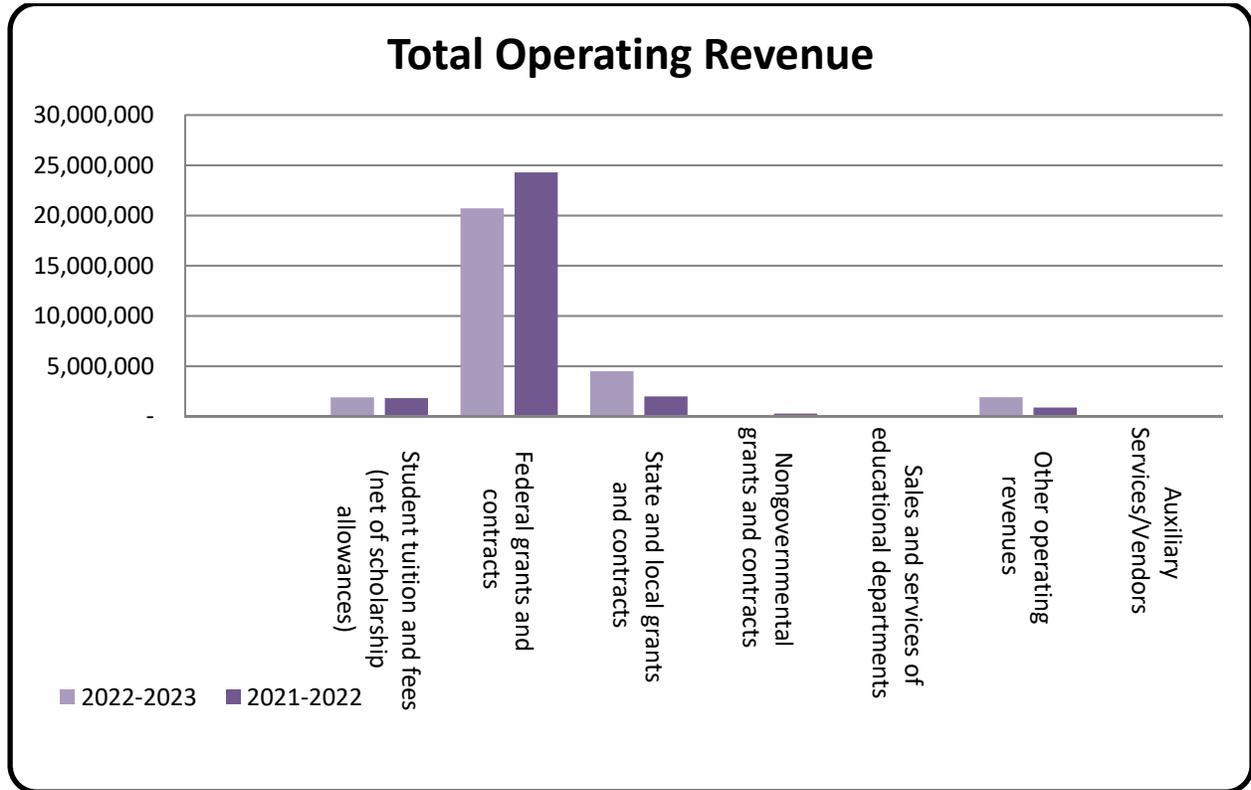
	2022-2023	2021-2022	Change
Operating revenues	\$ 28,998,194	\$ 29,233,418	\$ (235,224)
Operating expenses	(39,993,968)	(38,192,357)	(1,801,611)
Operating loss	(10,995,774)	(8,958,939)	(2,036,835)
Non-operating revenues	23,143,569	24,511,715	(1,368,146)
Non-operating expenses	(705,638)	(890,895)	185,257
Change in net position	11,442,157	14,661,881	(3,219,724)
Net Position at Beginning of Year	31,351,897	16,690,016	14,661,881
Net Position at End of Year	\$ 42,794,054	\$ 31,351,897	\$ 11,442,157

Operating expenses slightly increased due to the elevated cost in the economy during present markets. Operating revenues increased due to increased enrollment and new grant awards in addition to the funding provided by HEERF and ARP dollars to revamp HVAC and improve facilities on Carver and Southwest Campuses.

OPERATING REVENUES	2022-2023	2021-2022	Change
Student tuition and fees (net of scholarship allowances)	\$ 1,897,567	\$ 1,815,617	\$ 81,950
Federal grants and contracts	20,698,351	24,279,496	(3,581,145)
State and local grants and contracts	4,488,009	1,985,504	2,502,505
Nongovernmental grants and contracts	2,987	275,705	(272,718)
Other operating revenues	1,911,280	877,096	1,034,184
	\$ 28,998,194	\$ 29,233,418	\$ (235,224)

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

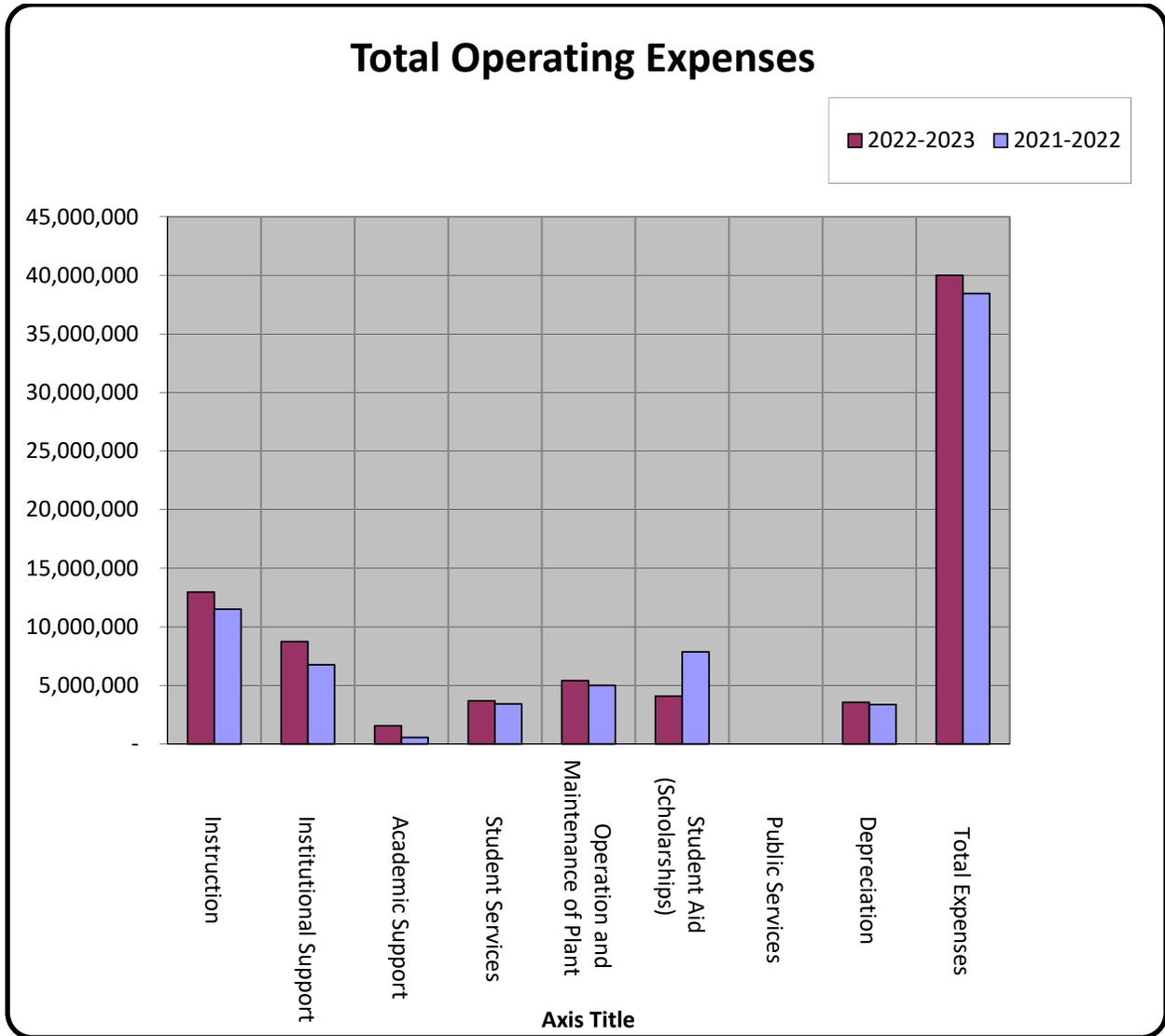
Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented in the charts below:



Operating Expenses are detailed below:

	2022-2023	2021-2022
Instruction	\$ 12,962,738	\$ 11,492,327
Institutional Support	8,734,857	6,761,541
Academic Support	1,558,310	487,115
Student Services	3,682,124	3,350,077
Operation and Maintenance of Plant	5,408,627	4,884,763
Scholarships and Financial Aid	4,087,741	7,858,415
Depreciation	3,559,571	3,358,119
	\$ 39,993,968	\$ 38,192,357

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**



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

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchase, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

The Net Change in Cash was a decrease of \$5,642,476 which was increased expenditures related to construction in progress and funds from 2019 Bond Funds and HEERF and ARP federal funds.

Cash Flows for the year September 30, 2023

Cash provided (used) by:

Operating Activities	\$ (7,285,791)
Non-Capital Financial Activities	23,060,241
Capital and Related Financing Activities	(21,413,567)
Investing Activities	<u>(3,359)</u>
Net Change in Cash	(5,642,476)
Cash and cash equivalents, beginning of year	<u>16,164,713</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,522,237</u></u>

**Bishop State Community College
Management's Discussion and Analysis
September 30, 2023 and 2022**

Economic Outlook

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

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

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

Bishop State Community College
Statement of Net Position
September 30, 2023

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 10,522,237
Accounts Receivable	
Net of allowance for doubtful accounts of \$5,014,427	12,086,969
Inventories	13,154
Other Current Assets	45,135
Total Current Assets	22,667,495
 Non-Current Assets	
Long-term investments	151,662
Endowment investments	180,426
Capital assets:	
Land	1,597,090
Improvements Other Than Buildings	4,954,960
Buildings & Building Alterations	77,928,121
Equipment & Furniture	19,421,610
Art Collections	3,700
Library Holdings	1,223,031
Construction in Progress	18,117,690
Leased Right of Use Assets	21,566
Subscription Assets	99,705
Less: Accumulated Depreciation	(46,044,817)
Total Capital Assets, Net of Accumulated Depreciation	77,322,656
Total Non-Current Assets	77,654,744
Total Assets	100,322,239
 Deferred Outflow of Resources	
Pension	8,452,681
Other Postemployment Benefit (OPEB)	2,515,455
Other Deferred Outflow	62,779
Total Deferred Outflow of Resources	\$ 11,030,915

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

Bishop State Community College
Statement of Net Position
September 30, 2023

Liabilities and Net Position

Current Liabilities

Deposits	\$ 346,292
Accounts Payable and Accrued Liabilities	4,826,180
Unearned Revenue	3,469,759
Compensated Absences	105,531
Subscription Liabilities	45,376
Lease Payable	4,515
Bonds Payable	395,000
Total Current Liabilities	9,192,653

Non-current Liabilities

Compensated Absences	708,512
Lease Payable	9,671
Bonds Payable	18,275,000
Net Pension	24,420,000
Net OPEB Liability	2,280,326
Other Noncurrent Liabilities	1,055,125
Total Non-current Liabilities	46,748,634
Total Liabilities	55,941,287

Deferred Inflow of Resources

Pensions	3,057,000
Other Postemployment Benefit (OPEB)	9,558,764
Other Deferred Inflow	2,049
Total Deferred Inflow of Resources	12,617,813

Net Position

Invested in Capital Assets, Net of Related Debt and Depreciation	58,581,552
Restricted For:	
<i>Nonexpendable</i>	
Scholarships and fellowships	152,060
Other	4,300
<i>Expendable</i>	
Unrestricted	(15,943,858)
Total Net Position	\$ 42,794,054

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

Bishop State Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2023

Operating Revenues	
Student tuition and fees (Net of scholarship allowances of \$6,241,484)	\$ 1,897,567
Federal grants and contracts	20,698,351
State and local grants and contracts	4,488,009
Nongovernmental grants and contracts	2,987
Other operating revenues	1,911,280
Total Operating Revenues	<u>28,998,194</u>
Operating Expenses	
Instruction	12,962,738
Institutional Support	8,734,857
Academic Support	1,558,310
Student Services	3,682,124
Operation and Maintenance of Plant	5,408,627
Scholarships and Financial Aid	4,087,741
Depreciation	3,559,571
Total Operating Expenses	<u>39,993,968</u>
Operating Loss	<u>(10,995,774)</u>
Non-Operating Revenues (Expenses)	
State appropriations	16,275,388
Federal grants and contracts	5,910,297
Gifts	891,994
Investment income (net of investment expense)	18,364
Other nonoperating revenues	47,526
Interest debt payments	(658,768)
Bond Surety Fee expense	(46,870)
Total Non-Operating Revenues (Expenses)	<u>22,437,931</u>
Change in Net Position	11,442,157
Net Position - Beginning of Year	31,351,897
Net Position - End of Year	<u>\$ 42,794,054</u>

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

Bishop State Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash Flows from Operating Activities

Tuition and Fees	\$ 1,323,549
Grants and Contracts	29,637,178
Payments to Suppliers	(9,197,559)
Payments for Utilities	(4,779,132)
Payments for Employees	(15,046,843)
Payments for Benefits	(7,046,523)
Payments for Scholarships	(4,087,741)
Other Receipts	1,911,280
Net Cash Used by Operating Activities	<u>(7,285,791)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	16,275,388
Bond Surety Fee Expense	(46,870)
Gifts and Grants For Other Than Capital Purposes	891,995
Federal Grant Revenue-Nonoperating	5,910,297
Other Noncapital Financing	29,431
Net Cash Provided by Noncapital Financing Activities	<u>23,060,241</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Sale of Capital Assets	18,092
Purchases of Capital Assets and Construction	(20,261,949)
Principal Paid on Capital Debt, Subscriptions, and Leases	(474,188)
Interest Paid on Capital Debt, Subscriptions, and Leases	(658,768)
Deposits with Trustees	53,368
Other Capital and Related Financing	(90,122)
Net Cash Used by Capital and Related Financing Activities	<u>(21,413,567)</u>

Cash Flows from Investing Activities

Investment Income	18,364
Purchase of Investments	(21,723)
Net Cash Used by Investing Activities	<u>\$ (3,359)</u>

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

Bishop State Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Net Decrease in Cash and Cash Equivalents	<u>\$ (5,642,476)</u>
Cash and Cash Equivalents-Beginning of the Year	16,164,713
Cash and Cash Equivalents - End of Year	<u><u>10,522,237</u></u>
 Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Loss	(10,995,774)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,559,571
Changes in Assets and Liabilities:	
Receivables (Net)	200,698
Inventory	(2,087)
Other Assets	263,981
Deferred Outflows	(3,723,403)
Accounts Payable	1,845,585
Unearned Revenue	(838,979)
Deposits Held for Others	(53,368)
Compensated Absences	105,531
Pension Liability	8,509,000
OPEB Liability	(4,433,674)
Deferred Inflows	(1,722,872)
Bond Premium	(43,879.00)
Net Cash Used by Operating Activities	<u><u>\$ (7,285,791)</u></u>

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

Bishop State Community College
Notes to Financial Statements
September 30, 2023

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

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

Cash, Cash Equivalents, and Investments

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

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

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

Receivables

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

Inventories

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Capital Assets

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

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Deferred Outflows of Resources

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

Long-Term Obligations

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

Compensated Absences

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

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

Deferred Inflows of Resources

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

Unearned Tuition and Fee Revenue

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Restricted

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

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

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

New Accounting Pronouncements – Implemented

In May 2020, the GASB issued Statement Number 96, Subscription-Based Information Technology Arrangements (SBITA). The standard requires recognition of right-to-use subscription assets, an intangible asset, and a corresponding subscription liability. The College should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. The College should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

In October 2021, the GASB issued Statement Number 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym *ACFR*. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

In April 2022, the GASB issued Statement Number 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees.

Change in Presentation

Beginning October 1, 2022, the accounting presentation for uncollectible student accounts has been adjusted in accordance with GASB Implementation Guide 2015-1 which states that revenues in proprietary funds should be reported net of all related allowances—sales discounts and allowances and amounts pertaining to uncollectible accounts. As a result, the College is adjusting the presentation of its student tuition and fee revenues to reflect the net of the increase or decrease in the estimate of uncollectible accounts and the net decrease due to scholarship allowances. This change in presentation, which has no effect to the College's beginning net position, is in accordance with generally accepted accounting principles. The change in presentation is intended to provide a more accurate representation of the College's financial operational activities.

Change in Accounting Estimates

Beginning October 1, 2022, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with generally accepted accounting principles and is intended to provide a more accurate representation of the College's financial position.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 1. Summary of Significant Accounting Policies – Continued

The change in estimate resulted in a decrease to the Allowance for Doubtful Accounts and a decrease to Net Accounts Receivable in the amount of \$574,018.

Note 2. Deposits and Investments

Deposits

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

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

Investments

All funds invested shall be invested in a manner consistent with all applicable state and federal laws and regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs).

Obligations of the U. S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement. Permissible investments include: 1) U. S. Treasury bills, notes, bonds, and stripped Treasuries 2) U.S. Agency notes, bonds, debentures, discount notes and certificates, 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs), 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities, 6) repurchase agreements, and 7) stocks and bonds which have been donated to the institution.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

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

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

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

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

As of September 30, 2023, the College had the following investments and maturities:

Certificates of Deposit totaling \$180,426 are included in the amounts reported as Investments on the Statement of Net Position. These accounts are covered under the SAFE program and not subject to risk categorization or disclosure.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

Investment in Equity Securities:

Investment Type	Fair Value	Maturity
Stock	\$ 151,662	No Maturity
Total	\$ 151,662	

To the extent available, the College’s investments are recorded at fair value as of September 30, 2023. GASB Statement Number 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 2. Deposits and Investments – Continued

		Assets at Fair Value as of September 30, 2023		
		Quoted Prices in Active Markets Identical for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
<u>Equity Securities:</u>				
Domestic Common and Preferred Stock	\$ 151,662	\$ 151,662	-	-
Total Equity Securities	151,662	\$ 151,662	\$ -	\$ -
Certificate of Deposits	180,426			
Total	\$ 332,088			

Note 3. Receivables

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

<u>Accounts Receivable:</u>	
Federal	\$ 7,243,485
State	2,068,871
Other	804,984
Tuition and Fees	6,984,056
Less: Allowance for Doubtful Accounts	(5,014,427)
Total Accounts Receivables, Net	\$ 12,086,969

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 4. Capital Assets

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

	Beginning Balance	Additions	Disposals/ Adjustments	Ending Balance
Land	\$ 1,597,090	\$ -	\$ -	\$ 1,597,090
Improvements other than Buildings	4,141,160	813,800	-	4,954,960
Buildings	64,592,710	-	-	64,592,710
Building Alterations	12,304,814	1,030,597	-	13,335,411
Construction in Progress	1,107,608	17,010,082	-	18,117,690
Equipment greater than \$25,000	12,833,510	995,465	-	13,828,975
Equipment less than \$25,000	5,256,053	357,582	(21,000)	5,592,635
Library Holdings	2,526,732	11,514	(1,315,215)	1,223,031
Art Collections	3,700	-	-	3,700
Leased Right to Use Assets	21,566	-	-	21,566
Subscription Assets	-	99,705	-	99,705
Total Capital Assets	104,384,943	20,318,745	(1,336,215)	123,367,473
Less Accumulated Depreciation				
Improvements other than Buildings	2,311,867	169,073	-	2,480,940
Buildings	31,259,494	1,027,049	-	32,286,543
Building Alterations	745,022	629,412	-	1,374,434
Equipment greater than \$25,000	3,987,365	1,092,648	-	5,080,013
Equipment less than \$25,000	3,383,807	538,567	(21,000)	3,901,374
Library Holdings	2,131,318	47,449	(1,315,215)	863,552
Lease Right to Use Assets	2,588	4,313	-	6,901
Subscription Assets	-	51,060	-	51,060
Total Accumulated Depreciation	43,821,461	3,559,571	(1,336,215)	46,044,817
Capital Assets, Net	\$ 60,563,482	\$ 16,759,174	\$ -	\$ 77,322,656

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

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

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 firefighter's contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

Participating employers’ contractually required contribution rate for the year ended September 30, 2023, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$1,467,000 for the year ended September 30, 2022.

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

At September 30, 2023, the College reported a liability of \$24,420,000 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, 2022. The College’s proportion of the collective net pension liability was based on the employers’ shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College’s proportion was 0.157134%, which was a decrease of 0.011768% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2023, the College recognized pension expense of \$2,356,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollar amount in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 537	\$ 593
Changes of assumptions	1,108	-
Net difference between projected and actual earnings on pension plan investments	4,900	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	208	2,464
Employer contributions subsequent to the measurement date	1,697	-
Total	\$ 8,450	\$ 3,057

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

The \$1,697,000 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2024	\$ 1,035
2025	476
2026	466
2027	1,719
Total	\$ 3,696

(Dollar Amounts in Thousands)

Actuarial Assumptions

The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

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

(*) Net of pension plan investment expense

The actuarial assumptions used in the September 30, 2022 valuation, for purposes of determining the TPL, were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020, and a discount rate of 7.45% as adopted by the Board of Trustees on September 13, 2021. There have been no changes since the previous valuation.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

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

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 5. Defined Benefit Pension Plan – Continued

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s proportionate share of collective net pension liability	\$31,598	\$24,420	\$18,373

(Dollar Amounts in Thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 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>.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Benefits Provided

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

Contributions

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

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

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

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

At September 30, 2023, the College reported a liability of \$2,280,326 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, 2022. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the College's proportion was 0.1308818%, which was an increase of 0.000933% from its proportion measured as of September 30, 2021.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

For the year ended September 30, 2023, the College recognized OPEB expense of \$(1,840,854) with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,595	\$ 4,611,081
Changes of assumptions	1,849,836	3,319,475
Net difference between projected and actual earnings on pension plan investments	286,801	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,148	1,628,208
Employer contributions subsequent to the measurement date	191,464	-
Total	\$ 2,502,844	\$ 9,558,764

The \$191,464 reported as deferred outflows of resources related to OPEB resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

Year	Amount
2024	\$ (1,876,929)
2025	(1,867,726)
2026	(1,022,106)
2027	(881,248)
2028	(1,009,753)
Thereafter	(589,622)
Total	\$ (7,247,384)

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.4%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75 % wage inflation

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

(**) Initial Medicare claims are set based on scheduled increases through calendar year 2025.

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2022.

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

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

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

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

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2022, was 7.00%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

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

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

	<u>1% Decrease</u> (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	<u>Current Rate</u> (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	<u>1% Increase</u> (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
College’s proportionate share of collective net OPEB liability	\$1,729,344	\$2,280,548	\$2,956,547

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 6. Other Postemployment Benefits (OPEB) – Continued

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

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

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
College’s proportionate share of collective net OPEB liability	\$2,819,561	\$2,280,548	\$1,828,063

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Unemployment Compensation

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

The College had made excess advance payment to the Unemployment Compensation Trust Fund of \$46,267. This excess was allowed to remain in the fund to be applied to future quarterly advance payments.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 8. Commitments and Contingencies

As of September 30, 2023, Bishop State Community College had been awarded approximately \$24,364,355 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

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

Note 9. Accounts Payable

Accounts payable represent amounts due at September 30, 2023, for goods and services received prior to the end of the fiscal year.

Vendor and Suppliers	\$ 4,876,071
Total	\$ 4,876,071

Note 10. Compensated Absences

The financial statements were prepared in accordance with Financial Accounting Standards Board Statement 43, which requires recording the liabilities associated with compensated absences if the amount can be estimated and payment is probable. For the fiscal year ended September 30, 2023, the amount of the College’s total liability for compensated absences is \$814,043. At September 30, 2023, 24 employees were retired or terminated and the actual retirement/termination costs were \$55,210. Accrued expenses for compensated absences on employee’s annual leave were \$152,089 for the fiscal year ended September 30, 2023.

Note 11. Subscriptions

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 11. Subscriptions - Continued

On October 1, 2022, the College entered into a 22 month subscription for the use of Zoom Web Conferencing. An initial subscription liability was recorded in the amount of \$17,504. As of September 30, 2023, the value of the subscription liability is \$17,504. The College is required to make one fixed payment of \$18,000. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$17,504 with accumulated amortization of \$9,501 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 21 month subscription for the use of Document Management. An initial subscription liability was recorded in the amount of \$24,328. As of September 30, 2023, the value of the subscription liability is \$24,328. The College is required to make one fixed payment of \$25,000. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$24,328 with accumulated amortization of \$13,366 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 22 month subscription for the use of Hotspots Distance Education from Kajeet, Inc. An initial subscription liability was recorded in the amount of \$4,603. As of September 30, 2023, the value of the subscription liability is \$4,603. The College is required to make one fixed payment of \$4,741. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$4,603 with accumulated amortization of \$2,517 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 20 month subscription for the use of Microsoft 365. An initial subscription liability was recorded in the amount of \$24,018. As of September 30, 2023, the value of the subscription liability is \$24,018. The College is required to make annual fixed payments of \$24,632. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$24,018 with accumulated amortization of \$14,449 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 22 month subscription for the use of scheduling software. An initial subscription liability was recorded in the amount of \$3,146. As of September 30, 2023, the value of the subscription liability is \$3,146. The College is required to make annual fixed payments of \$3,240. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$3,146 with accumulated amortization of \$1,662 is included with Software on the Subscription Class activities table found below.

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 11 Subscriptions - Continued

On October 1, 2022, the College entered into a 24 month subscription for the use of SSL Certificate. An initial subscription liability was recorded in the amount of \$2,348. As of September 30, 2023, the value of the subscription liability is \$2,348. The College is required to make annual fixed payments of \$1,233. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$2,348 with accumulated amortization of \$1,177 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 24 month subscription for the use of Swivl Teams. An initial subscription liability was recorded in the amount of \$1,572. As of September 30, 2023, the value of the subscription liability is \$1,572. The College is required to make annual fixed payments of \$825. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$1,572 with accumulated amortization of \$766 is included with Software on the Subscription Class activities table found below.

On June 1, 2023, the College entered into a 36 month subscription for the use of Vector LiveSafe Enterprises. An initial subscription liability was recorded in the amount of \$14,304. As of September 30, 2023, the value of the subscription liability is \$14,304. The College is required to make monthly fixed payments of \$4,900. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$14,478 with accumulated amortization of \$1,826 is included with Software on the Subscription Class activities table found below.

On October 1, 2022, the College entered into a 44 month subscription for the use of Webex, Telephone systems. An initial subscription liability was recorded in the amount of \$22,187. As of September 30, 2023, the value of the subscription liability is \$22,187. The College is required to make annual fixed payments of \$504. The subscription has an interest rate of 3.3467%. The value of the right to use asset as of September 30, 2023 was \$22,187 with accumulated amortization of \$5,941 is included with Software on the Subscription Class activities table found below.

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of September 30, 2023	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 99,705	\$ 51,060
Total Subscriptions	\$ 99,705	\$ 51,060

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 11. Subscriptions - Continued

Principal and Interest Requirements to Maturity for subscriptions.

September 30,	Principal Payments	Interest Payments	Total Payments
2024	\$ 30,687	\$ 826	\$ 31,513
2025	10,818	133	10,951
2026	3,871	-	3,871
Total	<u>\$ 45,376</u>	<u>\$ 959</u>	<u>\$ 46,335</u>

Note 12. Leases

On February 25, 2022, Bishop State Community College entered into a 60 month lease as Lessee for the use of a Pitney Bowes Copier. An initial lease liability was recorded in the amount of \$21,566. As of September 30, 2023, the value of the lease liability is \$14,186. Bishop State Community College is required to make quarterly fixed payments of \$1,129. The lease has an interest rate of 1.9430%. The Equipment estimated useful life was zero months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$21,566 with accumulated amortization of \$6,901 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of September 30, 2023	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 21,566	\$ 6,901
Total Leases	<u>\$ 21,566</u>	<u>\$ 6,901</u>

Principal and Interest Requirements to Maturity for leases.

September 30,	Principal Payments	Interest Payments	Total Payments
2024	\$ 4,270	\$ 245	\$ 4,515
2025	4,354	161	4,515
2026	4,439	76	4,515
2027	1,123	5	1,128
Total	<u>\$ 14,186</u>	<u>\$ 487</u>	<u>\$ 14,673</u>

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 13. Long-Term Debt

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

Bonds Payable	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Publicly Sold	\$18,670,000	\$ -	\$ -	\$18,670,000	\$ 395,000
Direct Placement	470,000	-	470,000	-	-
Bond Premium	1,182,104	-	126,979	1,055,125	-
Total Bonds	\$20,322,104	\$ -	\$ 596,979	\$19,725,125	\$ 521,979

Total interest expense for the Publicly Sold bond was \$656,333 for the fiscal year ended September 30, 2023

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

Fiscal Years	Publicly Sold Bonds		Total
	Principal	Interest	
2023-2024	\$ 395,000	\$ 763,925	\$ 1,158,925
2024-2025	415,000	743,675	1,158,675
2025-2026	435,000	722,425	1,157,425
2026-2027	460,000	700,050	1,160,050
2027-2028	485,000	676,425	1,161,425
2028-2029	510,000	651,550	1,161,550
2029-2030	530,000	628,200	1,158,200
2030-2031	555,000	606,500	1,161,500
2031-2032	575,000	583,900	1,158,900
2032-2033	600,000	560,400	1,160,400
2033-2034	625,000	535,900	1,160,900
2034-2035	650,000	510,400	1,160,400
2035-2036	675,000	483,900	1,158,900
2036-2037	705,000	456,300	1,161,300
2037-2038	730,000	427,600	1,157,600
2038-2039	760,000	397,800	1,157,800
2039-2040	795,000	366,700	1,161,700
2040-2041	825,000	334,300	1,159,300
2041-2042	860,000	300,600	1,160,600
2042-2043	895,000	265,500	1,160,500
2043-2044	930,000	229,000	1,159,000
2044-2045	970,000	191,000	1,161,000
2045-2046	1,010,000	151,400	1,161,400
2046-2047	1,050,000	110,200	1,160,200
2047-2048	1,095,000	6,730	1,101,730
2048-2049	1,135,000	22,700	1,157,700
Total	\$ 18,670,000	\$ 11,427,080	\$ 30,097,080

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 13. Long-Term Debt – Continued

Bond Premium

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

	Premium
Total Premium	\$ 1,605,367
Amount Amortized Prior Years	(423,263)
Balance Premium	1,182,104
Current Amount Amortized	(126,979)
Balance Premium	\$ 1,055,125

Pledged Revenues

Pledged Revenues Bonds, Series 2019

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Tuition Revenue Bonds Series 2019 issued May 2019 in the amount of \$18,670,000, with an interest rate of 5.00%, for the purposes of providing funding to finance the construction of the new Advanced Manufacturing Center, Health Science Facility, and other miscellaneous improvements on the College’s main campus in Mobile. Pledged revenues in the amount of \$2,948,011 were received with \$656,333, or 22.26% being used to pay interest. These bonds are scheduled to mature in fiscal year 2049.

Bonds, Series 2015 – Direct Placement Bonds

The College has pledged student tuition, facility renewal fee, and building fee revenues, to repay the Refunding Revenue Bond 2015 issued April 2015 in the amount of \$3,552,000, with an interest rate of 2.01% in for the purpose of refunding the Revenue Bonds Series 2003. Pledged revenues in the amount of \$2,948,011 were received with \$4,724 or 0.001602% being used to pay interest. These bonds matured during fiscal year 2023.

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 14. Risk Management

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

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

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

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

Note 15. Related Parties

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

Bishop State Community College
Notes to Financial Statements – Continued
September 30, 2023

Note 16. Subsequent Events

The College has evaluated subsequent events through January 17, 2024, the date on which the financial statements were available to be issued.

Required Supplementary Information

Bishop State Community College
Schedule of the College's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.157134%	0.168902%	0.180348%	0.197637%	0.189797%	0.181386%	0.205949%	0.226727%	0.235663%
College's proportionate share of the net pension liability	\$ 24,420	\$ 15,911	\$ 22,308	\$ 21,853	\$ 18,871	\$ 17,827	\$ 22,296	\$ 23,729	\$ 21,409
College's covered payroll during the measurement period (*)	\$ 13,890	\$ 11,255	\$ 12,268	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094	\$ 15,713
College's proportionate share of the net pension liability as a percentage of its covered payroll	176%	141%	182%	173%	153%	126%	162%	157%	136%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

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

Bishop State Community College
Schedule of the College's Contributions - Pension
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,467	\$ 1,470	\$ 1,478	\$ 1,555	\$ 1,549	\$ 1,526	\$ 1,548	\$ 1,550	\$ 1,617
Contributions in relation to the contractually required contribution	<u>\$ 1,467</u>	<u>\$ 1,470</u>	<u>\$ 1,478</u>	<u>\$ 1,555</u>	<u>\$ 1,549</u>	<u>\$ 1,526</u>	<u>\$ 1,548</u>	<u>\$ 1,550</u>	<u>\$ 1,617</u>
Contribution deficiency (excess)	<u>\$ -</u>								
College's covered payroll	\$ 13,890	\$ 11,255	\$ 12,268	\$ 12,644	\$ 12,644	\$ 12,295	\$ 14,116	\$ 13,738	\$ 15,094
Contributions as a percentage of covered payroll	10.56%	13.06%	12.05%	12.30%	12.25%	12.41%	10.97%	11.28%	10.71%

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2023, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

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

Bishop State Community College
Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's proportion of the net OPEB liability (asset)	0.130882%	0.129949%	0.136898%	0.163155%	0.165406%	0.164590%
College's proportionate share of the net OPEB liability (asset)	\$ 2,281	\$ 6,714	\$ 8,884	\$ 6,155	\$ 13,594	\$ 12,225
College's covered payroll during the measurement period (*)	\$ 13,890	\$ 11,255	\$ 12,075	\$ 10,960	\$ 11,310	\$ 11,804
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.42%	59.65%	73.57%	56.16%	120.19%	103.57%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

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

Bishop State Community College
Schedule of the College's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 250	\$ 263	\$ 224	\$ 266	\$ 460	\$ 409
Contributions in relation to the contractually required contribution	<u>\$ 250</u>	<u>\$ 263</u>	<u>\$ 224</u>	<u>\$ 266</u>	<u>\$ 460</u>	<u>\$ 409</u>
Contribution deficiency (excess)	<u>\$ -</u>					
College's covered-employee payroll	\$ 13,890	\$ 11,255	\$ 12,268	\$ 12,075	\$ 10,960	\$ 11,310
Contributions as a percentage of covered-employee payroll	1.80%	2.34%	1.83%	2.20%	4.20%	3.62%

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

Bishop State Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB)
For the Year Ended September 30, 2023

Note 1. Changes of Benefit Terms

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021 the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00% (6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 (Tier II), are covered under a new benefit structure, as follows:

(i) A service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).

(ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service).

(iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

Note 2. Changes in Assumptions

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

Bishop State Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB) - Continued
For the Year Ended September 30, 2023

Note 2. Changes in Assumptions – Continued

In 2016, rates of retirement, disability, withdrawal and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 the expectation of retired life mortality as changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Note 3. 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.

Note 4. Recent Plan Changes

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

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

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

Bishop State Community College
Notes to Required Supplementary Information for Other
Postemployment Benefits (OPEB) – Continued
For the Year Ended September 30, 2023

Note 5. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	19 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.5%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	**
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2033 for Pre-Medicare Eligible 2033 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 2025.	

Supplementary Information

Bishop State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
<u>Student Financial Assistance Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 178,946
Federal Work-Study Program	84.033			66,130
Federal Pell Grant Program	84.063			7,339,099
Total Student Financial Assistance Cluster (M)				<u>7,584,175</u>
<u>Other Federal Awards</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Higher Education - Institutional Aid	84.031			295,115
Higher Education - Institutional Aid	84.031			3,036,442
Total Higher Education - Institutional Aid				<u>3,331,557</u>
<u>TRIO Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
TRIO- Student Support Services	84.042A			278,466
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
COVID-19 HEERF Historically Black Colleges and Universities (HBCUs)	84.425J			18,516,015
<u>Passed Through Alabama Department of Community College System</u>				
Adult Education - State Grant Program	84.002	V002A150001		513,646
Total Adult Education - State Grant Program				<u>513,646</u>
<u>Passed Through Alabama State Department of Education</u>				
Career and Technical Education - Basic Grants to States	84.048			320,892
<u>Federal Highway Administration Pass through Alabama Department Of Transportation</u>				
ALDOT		OJT100070830		236,829
<u>U. S. Department of Labor Pass-Through-Workforce Investment Act Pass-Through-Workforce Investment Act</u>				
Southwest Alabama Partnership for Training and Employment	17.259			217,252
The Alabama Advanced Manufacturing Apprenticeship Program	17.268	H-1B		168,464
Total Department of Labor				<u>385,716</u>
Total Federal Awards				<u>\$ 31,167,296</u>

See accompanying notes to schedule of expenditures of federal awards.

Bishop State Community College
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2023

Note 1. Basis of Accounting

The Schedule of Expenditures of Federal Awards (the schedule) was prepared on 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.

Note 2. Basis of Presentation

The accompanying schedule summarizes the federal expenditures of the College under programs of the federal government for the year ended September 30, 2023. The amounts reported as federal expenditures were obtained from the College's general ledger. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net margins and cash flows of the College.

For purposes of the schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The College has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALNs have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. One cluster was identified in the schedule as follows:

Student Financial Aid Cluster - This cluster includes awards that assist agencies in providing financial assistance to eligible students attending eligible institutions of postsecondary education.

Note 3. Indirect Cost Rate

The College has elected to not use the 10% de Minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Relationship of the Schedule to Program Financial Reports

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the schedule may differ. Some of the factors that may account for any difference include the following:

The College's fiscal year end may differ from the program's year end.

Accruals recognized in the schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.

Bishop State Community College
Notes to the Schedule of Expenditures of Federal Awards – Continued
September 30, 2023

Note 4. Relationship of the Schedule to Program Financial Reports – Continued

Fixed asset purchases and the resulting depreciation charges are recognized as property and equipment, net in the College’s financial statements and as expenditures in the program financial reports.

Note 5. Federal Pass-Through Funds

The College is the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as “pass-through” are considered direct and will be designated accordingly.

Note 6. Contingencies

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College. As of September 30, 2023, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7. Noncash Assistance

The College did not receive any federal noncash assistance for the fiscal year ended September 30, 2023.

Note 8. Subrecipients

The College did not provide federal funds to subrecipients for the fiscal year ended September 30, 2023.

Note 9. Loans and Loan Guarantees

The College did not have any loans or loan guarantee programs required to be reported on the schedule.

Note 10. Federally Funded Insurance

The College did not have any federally funded insurance required to be reported on the schedule for the fiscal year ending September 30, 2023.



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

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Mr. Olivier Charles, Acting President – Bishop State Community College
Mobile, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bishop State Community College (the College), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements and have issued our report thereon dated January 17, 2024.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. *A material weakness* is a deficiency, or 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 may exist that have not been identified.

Report on Compliance and Other Matters

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

Bishop State Community College's Response to Findings

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

Purpose of this Report

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

KASSOUF & CO., INC.

Handwritten signature of Kassouf & Co. in black ink, featuring a stylized cursive font.

CPAs and Advisors

January 17, 2024



**Independent Auditor’s Report on Compliance for Each Major Program,
Schedule of Expenditures of Federal Awards and on Internal Controls Over
Compliance Required by Uniform Guidance**

Mr. Jimmy Baker, Chancellor – Alabama Community College System
Mr. Olivier Charles, President – Bishop State Community College
Mobile, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bishop State Community College’s (the College) 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 each of the College’s major federal programs for the year ended September 30, 2023. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 College 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 each major federal program. Our audit does not provide a legal determination of the College’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 College’s federal programs.

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 College’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 generally accepted auditing standards, *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 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 College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 College'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 College'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 College'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We did not identify any significant deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

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

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated January 17, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KASSOUF & CO., INC.



CPAs and Advisors

January 17, 2024

**Bishop State Community College
Schedule of Findings and Questioned Costs
September 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Type of auditor's report issued	Unmodified
Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified that are not considered to be a material weakness	No
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)	No

Identification of major programs:

Federal Programs	CFDA No.
<u>Student Financial Assistance Cluster</u>	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
<u>COVID-19 Higher Education Emergency Relief Fund</u>	
COVID-19 HEERF Historically Black Colleges and Universities (HBCU's)	84.425J

Dollar threshold used to determine Type A and Type B programs: \$935,019

Auditee qualified as low-risk auditee under the Uniform Guidance No

Findings – Financial Statements Audit None

Findings and Questioned Costs – Major Federal Award Programs Audit None

Bishop State Community College
Summary Schedule of Prior Audit Findings
September 30, 2023

Section II - Financial Statement Findings (GAGAS)

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

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

Finding

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

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

Recommendation

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

Corrective action was taken.

Bishop State Community College
Summary Schedule of Prior Audit Findings – Continued
September 30, 2023

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2022-002
Compliance Requirement:	Reporting
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
Assistance Listing	
Number(s) and Title:	84.425 – Higher Education Emergency Relief Fund (HEERF)
Federal Awarding Agency:	U.S. Department of Education

Finding

As specified in 2 CFR section 200.303 the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Adequate controls must be in place to ensure proper expenditures are reported in the applicable reporting periods.

Adequate controls were not in place to review and approve grant reports for accuracy and completeness of the report prior to their submission to the grantor. Appropriate supporting documentation was not retained in order to reconcile the amounts reported on the HEERF I, II, & III Annual Performance Report Form to the College’s books of record. The College also failed to submit quarterly reports on a timely basis for the quarters ending December 31, 2021, March 31, 2022 and June 30, 2022. Lack of sufficient controls over the review and approval of grant reports to ensure the accuracy and completeness of the report being submitted to the grantor can result in improper reporting which could lead to disallowed costs and late reporting submissions. However, our audit disclosed no instances of unallowable costs. Lack of sufficient controls can result in improper reporting which could lead to late reporting submissions.

Recommendation

We recommend the strengthening of controls to ensure the quarterly grant reports are reviewed and approved for accuracy and completeness prior to submission to the grantor. The College should design and implement internal controls to ensure compliance with the federal reporting requirements.

Corrective action was taken.