



Enterprise State Community College

FINANCIAL STATEMENTS

September 30, 2023



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**Enterprise State Community College
College Officials
As of September 30, 2023**

Chancellor of Alabama Community College System

Jimmy Baker

President

Danny Long

Dean of Administrative Services

Chellye Stump

Director of Financial Services

Paula Helms

INDEPENDENT AUDITORS' REPORT

Jimmy Baker, Chancellor – Alabama Community College System
Danny Long, President – Enterprise State Community College
600 Plaza Drive
Enterprise, Alabama 36330

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Enterprise 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 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 business-type activities of the College, as of September 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the College. They do not purport to and do not present fairly the financial position of the State of Alabama as of September 30, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 1 and Note 2 to the financial statements, in 2023, the College adopted new accounting guidance, GASB Statement No. 96, Subscription Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in Note 7 to the financial statements, the College had certain prior period adjustments, which results in an effect of (\$4,127) on the September 30, 2022 net position. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 11, schedules of the employer's proportionate share of the net pension liability and net OPEB liability and schedules of employer contributions, on pages 44 – 49, 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Listing of College Officials, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

January 10, 2024

Enterprise State Community College Management's Discussion and Analysis

Enterprise State Community College, including the Alabama Aviation College, (collectively, the "College") is a public comprehensive community college dedicated to serving students and the surrounding communities by providing affordable educational opportunities that enhance the quality of life and promote both economic and workforce development. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal, and professional advancement. A wide range of academic courses prepares students for transfer to four-year colleges. Technical programs equip students to master certain skills and become contributing members of the workforce.

Presented in this document are the financial statements for fiscal year 2022-2023. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

The report of the College's financial statements provides an overview of its financial activities for the year and comparative amounts for the prior year.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a 'point in time' financial statement with comparison between current year and prior year information. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), Deferred Outflows and Inflows and the Net Position. 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 can 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. Finally, the Statement of Net Position provides a picture of the net position (assets, and deferred outflows of resources minus liabilities and deferred inflows of resources) and their availability for expenditure by the College.

Net position is divided into three major categories. The first category, net investments in capital assets, provides the College's equity in property, plant and equipment owned by the College. The next asset 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 assets are 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 assets. The final category is unrestricted assets which are available to the college for any appropriate purpose of the College.

Enterprise State Community College Management's Discussion and Analysis

Statement of Net Position (in thousands)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets	\$ 52,181	\$ 28,186
Capital assets, net	<u>36,457</u>	<u>25,998</u>
Total Assets	88,638	54,184
Deferred Outflows of Resources	8,542	5,154
Liabilities		
Current liabilities	3,712	3,421
Noncurrent liabilities	<u>45,126</u>	<u>20,061</u>
Total Liabilities	48,838	23,482
Deferred Inflows of Resources	6,963	7,752
Net Position		
Invested in capital assets (net of debt)	10,862	21,504
Restricted – nonexpendable	18	17
Unrestricted	<u>30,499</u>	<u>6,583</u>
Total Net Position	<u>\$ 41,379</u>	<u>\$ 28,104</u>

The total assets of the College increased by \$34,453,342 over fiscal year 2021-2022. A review of the Statement of Net Position will reveal that the increase was primarily in response to the increase in cash, cash equivalents, and campus-wide renovations using Unexpended Plant Funds along with Revenue Bonds Series 2023, grant funding and Federal CARES and HEERF grant support during the pandemic.

During the 2023 fiscal year, capital projects included:

- Renovations of Brown Building, and Steagall Building Restrooms
- Renovations of Lurleen B. Wallace Hall Restrooms
- Renovations of Drain Lines and Sewer on Enterprise Campus
- Construction of Hitting Facility for Baseball and Softball
- Construction of Performing Arts Center
- Pre-Construction Planning of Workforce Development Center

The total liabilities for the year increased by \$25,356,258 over fiscal year 2021-2022. The increase is predominately related to the issuance of the Revenue Bonds Series 2023. Net position continues to be impacted by the implementation of GASB 68 to account for the college's imputed portion of unfunded pension liability of the Teacher's Retirement System. Net position also continues to be

Enterprise State Community College Management's Discussion and Analysis

impacted by the implementation of GASB 75 of accounting and financial reporting requirements for governmental employers who provide Other Postemployment Benefits (OPEB) to their employees through a trust offset by the decrease in the amounts owed for leases and bond indebtedness.

The College reported pension and OPEB deferred outflows of resources in the amount of \$8,542,303 and a deferred inflows of resources in the amount of \$6,963,230 as required by GASB 68 and 75.

The combination of the increase in total assets of \$34,453,341, the increase in total liabilities of \$25,356,259, the recording of pension and OPEB deferred inflows and outflows net increase of \$2,599,067 along with other changes in capital assets, and restricted nonexpendable and expendable funds, yields a net increase in total net position of \$13,274,592. It should be noted that the recording of the deferred inflows and outflows is an accounting entry required by GASB 68 and 75 and does not affect the actual operation of the college.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the college, both operating and nonoperating, and the expenses paid by the college, both operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the college within that fiscal year.

In general terms, operating revenues are received for providing goods and services to the various customers and constituencies of the college. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State Appropriations are nonoperating because they are provided by the Legislature to the college without the Legislature directly receiving commensurate goods and services for those revenues.

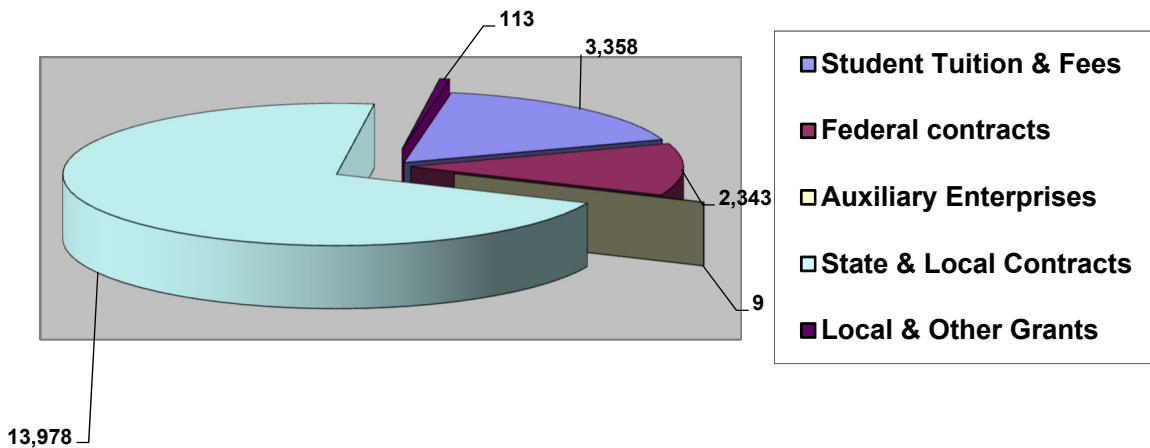
Statement of Revenues, Expenses and Changes in Net Position (in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ 19,801	\$ 13,295
Operating expenses	<u>24,278</u>	<u>26,331</u>
Operating loss	(4,477)	(13,036)
 Nonoperating revenues and expenses	 17,756	 17,114
 Increase in Net Position	 13,279	 4,077
 Net Position at Beginning of Year	 28,104	 24,283
Restatements	<u>(4)</u>	<u>(256)</u>
Net Position at End of Year	<u>\$ 41,379</u>	<u>\$ 28,104</u>

Enterprise State Community College Management's Discussion and Analysis

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in the net assets at the end of the fiscal year. The increase in revenue and the increase in expenses are the primary reasons for the increase. The operating revenues by source, stated in thousands, are displayed on the following chart.

Operating Revenue (in thousands)

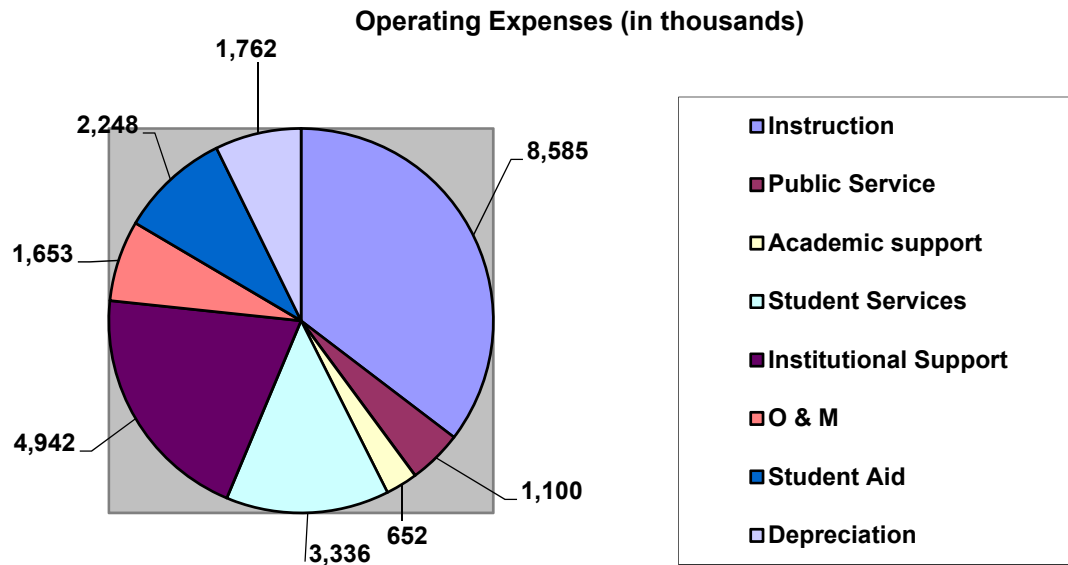


The above chart displayed in thousands of dollars, shows the operating revenues by type and their relationship with one another. State and local contracts are seventy-one percent of the revenue received. Federal contracts represent twelve percent of the revenue resources while student tuition and fees are seventeen percent of the revenue resources. All other sources of revenue types represent less than one percent of the total operating revenue.

The auxiliary enterprises, or campus bookstore operations, have been self-supporting, but due to the downward trend in sales in 2019-2020, bookstore operations were outsourced to Valore Corp. In 2021-2022 the Bookstore and ESCC implemented the ALL-IN Rental Programs. This program allows students to get their books at a much lower price. The rental rate of \$25 per credit hour is billed at registration. This partnership will ensure that the campus store evolves from its traditional business model to a new, more flexible, responsive, and profitable mode of operation.

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

Enterprise State Community College Management's Discussion and Analysis



The comparative figures on the Statement of Revenues, Expenses and Changes in Net Position reflect the changes in the regular College operations. Although comparative information is not presented in the above exhibit, several changes in expenses from prior years are worth noting. In 2022-2023 an elimination entry in the amount of \$3,164,905 was added to remove the direct loan receipts and disbursements decreasing the amount of student aid scholarships expenses. Considering this entry there was an overall increase in operating expenses of approximately four percent over the 2021-2022 fiscal year. The change is more specifically related to the increase in salaries and benefits due to personnel changes, campus-wide renovations, and construction of new facilities.

Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flow which presents detailed information about the cash activity of the college during the year. This statement allows the reader a means of evaluating the College's ability to meet its financial obligations as they mature. The statement is divided into five sections. The first section deals with operating cash flow and shows the net cash used by the operating activities of the college. The second section reflects cash flow from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flow 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 flow from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

Enterprise State Community College Management's Discussion and Analysis

Cash Flows for the Years ended September 30 (in thousands)

	<u>2023</u>	<u>2022</u>
Cash provided (used) by:		
Operating activities	\$ (10,251)	\$ (11,946)
Noncapital financing activities	17,069	17,106
Investing activities	(9,540)	61
Capital and related financing activities	<u>8,931</u>	<u>(2,826)</u>
Net Change in Cash	6,209	2,395
Cash-beginning of year	<u>25,276</u>	<u>22,881</u>
Cash-end of year	<u>\$ 31,485</u>	<u>\$ 25,276</u>

A review of the Statement of Cash Flows provides an indication of the operations of the College for this fiscal year. For fiscal year 2022-2023, the new change of cash and cash equivalents, including short-term investments, is an increase of \$6,209,660, which represents an approximate twenty-five percent increase over 2021-2022. The increase is predominately related to the issuance of the Revenue Bonds Series 2023.

Economic Outlook

In the upcoming years the College anticipates that there will be additional personnel related changes due to increased enrollment, addition of new programs, retirements and filling vacant positions. The College will continue to use the assessment of vacant positions and the needs of program initiatives as a part of the strategic planning and decision-making processes as a means of reducing its costs.

The College continues to address the issues of enrollment and credit hours produced with recruitment efforts, identification of programs needed in our communities and service areas and implementing innovative ways to deliver learning to our students and reducing costs as possible. New academic and technical programs as well as Workforce Development programs are being added to meet the needs of students in our service area. In areas that are under the College's control, the financial position remains strong. The College will continue to monitor revenues and expenses and adjust where necessary to ensure that the College operates as effectively as possible. The College is not aware of any other known facts, decisions or conditions that are expected to have a significant impact on the financial position or results of operations in the next fiscal year. The College continues to grow and looks forward to a strong and stable financial future.

Enterprise State Community College
Statement of Net Position

September 30,

2023

Assets

Current assets

Cash and cash equivalents	\$	31,485,358
Short-term investments		11,687,788
Accounts receivable (net of allowance for doubtful accounts)		8,431,923
Other current assets		575,928

Total current assets 52,180,997

Capital assets

Land	857,453
Improvements other than buildings	4,489,266
Buildings & building alterations	32,898,851
Equipment & furniture	9,836,000
Library materials	724,399
Construction in progress	11,600,282
Leased right of use asset	17,188
Right-to-use subscription assets, net	116,341
Less accumulated depreciation	(24,083,280)

Total capital assets, net 36,456,500

Total assets 88,637,497

Deferred Outflows of Resources

Deferred outflows on refunding	80,982
Deferred outflows related to pension	5,949,070
Deferred outflows related to OPEB	2,512,251

Total deferred outflow of resources 8,542,303

-Continued-

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

Enterprise State Community College
Statement of Net Position (Continued)

Liabilities

Current liabilities	
Deposits	\$ 248,288
Accounts payable and accrued liabilities	511,084
Bond surety fee payable	8,051
Subscription liability	36,604
Lease payable	4,057
Unearned revenue	2,444,638
Bonds payable	405,000
Compensated absences	54,559
Bond premium	49,563
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Total current liabilities	3,761,844
Noncurrent liabilities	
Compensated absences	491,029
Subscription liability	39,445
Lease payable	5,131
Bonds payable	25,105,000
Net pension liability	17,430,000
Net OPEB liability	1,623,090
Bond premium	382,527
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Total noncurrent liabilities	45,076,222
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Total liabilities	48,838,066
Deferred Inflows of Resources	
Deferred inflows related to pension	556,000
Deferred inflows related to OPEB	6,407,230
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Total deferred inflows of resources	6,963,230
Net Position	
Net investment in capital assets	10,861,263
Restricted for	
Scholarships and fellowships	17,800
Unrestricted	30,499,441
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Total net position	\$ 41,378,504
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The accompanying notes are an integral part of these financial statements.

Enterprise 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)	\$	3,357,842
State grants and contracts		13,977,904
Local grants and contracts		21,255
Federal grants and contracts		2,342,531
Auxillary enterprises:		
Bookstore (net of scholarship allowances)		9,038
Vending		15,057
Other		77,705

Total operating revenues		19,801,332
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Operating Expenses

Instruction		8,584,888
Public service		1,100,335
Academic support		651,852
Student services		3,336,247
Institutional support		4,942,025
Operation and maintenance of plant		1,652,898
Scholarships		2,248,136
Depreciation and amortization		1,551,966

Total operating expenses		24,068,347
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Operating income (loss)		(4,267,015)
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Nonoperating Revenues (Expenses)

State appropriations		11,408,755
State appropriations-special		370,000
Local appropriation		500,000
Federal grants and contracts		4,749,117
Investment income (net of investment exp.)		769,609
Endowment income		561
Noncash gifts/revenue		54,710
Other nonoperating revenues		84,545
Interest debt payments		(127,715)
Debt issuance costs		(227,758)
Other nonoperating expenses		(948)
Bond surety fee expense		(35,141)

Total nonoperating revenues (expenses)		17,545,735
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Change in net position		13,278,720
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Net position, beginning of year as previously reported		28,103,911
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Prior period adjustment - see note 7		(4,127)
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Net position, beginning of year (as restated)		28,099,784
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Net position, end of year	\$	41,378,504
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The accompanying notes are an integral part of these financial statements.

Enterprise State Community College Statement of Cash Flows

For the year ended September 30,

2023

Cash Flows from Operating Activities

Tuition and fees	\$ 3,622,417
Grants and contracts	9,139,584
Payments to suppliers	(6,350,784)
Payments for utilities	(661,795)
Payments for employees	(10,652,491)
Payments for benefits	(3,201,376)
Payments for scholarships	(2,248,136)
Auxillary enterprise charges	
Bookstore	101,800

Net cash provided by (used in) operating activities (10,250,781)

Noncapital Financing Activities

State and local appropriations	12,278,755
Bond surety fee expense	(46,690)
Federal grant revenue - nonoperating	4,749,117
Other noncapital financing	88,254

Net cash provided by (used in) noncapital financing activities 17,069,436

Capital and Related Financing Activities

Proceeds from issuance of capital debt	21,426,241
Proceeds from sale of capital assets	(3,709)
Purchases of capital assets and construction	(11,955,612)
Principal paid on capital debt and leases	(185,000)
Interest paid on capital debt and leases	(127,715)
Bond issue costs paid on new debt issue	(227,758)
Other capital and related financing	4,787

Net cash provided by (used in) capital and related financing activities 8,931,234

Investing Activities

Investment income	770,170
Purchase of investments	(10,310,399)

Net cash provided by (used in) investing activities (9,540,229)

Net increase (decrease) in cash and cash equivalents 6,209,660

Cash and cash equivalents, beginning of year 25,275,698

Cash and cash equivalents, end of year \$ 31,485,358

-Continued-

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

Enterprise State Community College
Statement of Cash Flows (Continued)

For the year ended September 30,

2023

Reconciliation of Operating Income (Loss)	
to Net Cash Provided by Operating	
Activities	
Operating income (loss)	\$ (4,267,015)
Adjustments to reconcile operating	
income (loss) to net cash provided	
by operating activities	
Depreciation and amortization	1,551,966
Changes in Assets and Liabilities	
Receivables, net	(7,202,104)
Other assets	(276,948)
Deferred outflows	(3,393,075)
Accounts payable	(223,472)
Unearned revenue	251,855
Compensated absences	59,330
Pension liability	6,768,000
OPEB liability	(2,742,816)
Deferred inflows	(789,221)
Other liabilities	12,719
<hr/>	
Total adjustments	(5,983,766)
<hr/>	
Net cash provided by operating activities	<u>\$ (10,250,781)</u>

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

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Enterprise State Community College (the “College” or the “Primary Government”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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 GASB in Statement Number 14, *“The Financial Reporting Entity,”* states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and investments

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

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

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Deposits and investments (continued)

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 made up solely of certificates of deposits at September 30, 2023 and are reported at amortized cost.

Receivables

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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.

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Capital Assets (continued)

Capital assets are defined as assets with an initial unit cost of \$5,000 or more and an estimated useful life of one year or more. Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The method of depreciation and useful lives for the capital assets are as follows:

Capital asset classes	Depreciation method	Lives
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Construction in progress	Not depreciated	
Furniture and Equipment greater than \$25,000	Straight Line	10 years
Furniture and Equipment \$5,000 to \$25,000	Straight Line	5 years
Library Materials	Composite	20 years
Right to Use Assets	Straight Line	2 – 5 years
Subscription Based IT Arrangements	Straight Line	2 – 5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The College has three items reported in this category, deferred outflows related to pension, OPEB and refunding. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. Deferred outflows related to OPEB result from OPEB contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date, the net difference between projected and actual earnings on plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and differences between actual and expected experience. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension or OPEB liability in future reporting years. The difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining list of the old debt or the list of the new debt, whichever is shorter.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category, deferred inflows related to pension and OPEB. The deferred inflows

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Deferred Outflows/Inflows of Resources (continued)

related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pensions or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Compensated Absences

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

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

Long-Term Obligations

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

Unearned Revenue

The College records unearned revenue for tuition and fee revenues received for the fall term but related to the portion of the term that occurs in the subsequent fiscal year.

Pension

The Teachers' Retirement System of Alabama (the "TRS") 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 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.

Other Post-Employment Benefits (OPEB) Liability

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Other Post-Employment Benefits (OPEB) Liability (continued)

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

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

Restricted:

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

Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

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

Federal Financial Assistance Programs

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

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenues and Expenses

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the College is tuition and fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the remaining useful life of property and equipment, the identification of allowable versus unallowable costs, the timing of revenue recognition, pension liability, and OPEB liability.

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 operational activities.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2024 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91 (GASB 91), Conduit Debt Obligations. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. For more information on the effects of the adoption of Statement No. 96, see Note 2.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 are effective for fiscal years beginning after June 15, 2021. The implementation of GASB 97 did not result in any significant change in the College's financial statements.

In April 2022, the GASB issued GASB Statement No. 99, *Omnibus 2022*. This Statement provides guidance on the following:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument,

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives,
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the PPP term and (b)
- Recognition and measurement of installment payments and the transfer of the underlying PPP asset,
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability,
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt,
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP),
- Disclosures related to nonmonetary transactions,
- Pledges of future revenues when resources are not received by the pledging government,
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—*for State and Local Governments, as amended, related to the focus of the government-wide financial statements,
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments,
- Clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Pronouncements Issued But Not Yet Effective

The GASB has issued statements that will become effective in future years. These statements are as follows:

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and

Enterprise State Community College Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

(2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The College is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits

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

Enterprise State Community College Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits (continued)

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

Investments

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 Deposits (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 to include 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 College.

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 College'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 College'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 College'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;

Enterprise State Community College
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Investments (continued)

- b. the institution receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
 - c. the institution 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 Sections 19-3C-1 and following.

The College currently holds all investments in CDs, which are valued at amortized cost.

Accounts Receivable

Accounts receivables are reported net of uncollectible amounts, and as of September 30, 2023, consist of the following:

Student Tuition and Fees	\$ 1,728,078
Allowance for Doubtful Accounts - Tuition and Fees	(1,380,757)
Federal Grants and Contracts	238,258
State Grants and Contracts	7,845,468
Other	876
<hr/>	
Total Accounts Receivables	\$ 8,431,923

Enterprise State Community College
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	Beginning	Additions	Deductions	Ending Balance
Land	\$ 857,453	\$ -	\$ -	\$ 857,453
Buildings	25,651,750	-	-	25,651,750
Building alterations	2,516,158	4,730,943	-	7,247,101
Improvements other than buildings and infrastructure	4,134,361	354,905	-	4,489,266
Construction in progress	5,485,060	11,201,071	(5,085,849)	11,600,282
Furniture and equipment greater than \$25,000	6,672,697	436,935	(312,066)	6,797,566
Furniture and equipment \$25,000 or less	2,787,541	294,385	(43,492)	3,038,434
Library materials	724,399	-	-	724,399
Right to use assets	19,643	-	(2,455)	17,188
Subscription based IT arrangements	-	116,341	-	116,341
Total at Historical Cost	48,849,062	17,134,580	(5,443,862)	60,539,780
Less Accumulated Depreciation				
Buildings	14,281,845	680,156	-	14,962,001
Improvements other than buildings and infrastructure	1,608,910	148,079	-	1,756,989
Furniture and equipment greater than \$25,000	4,054,399	423,718	(276,867)	4,201,250
Furniture and equipment \$25,000 or less	2,175,530	282,431	(40,283)	2,417,678
Library materials	724,399	-	-	724,399
Right to use assets	5,837	4,655	(2,456)	8,036
Subscription based IT arrangements	-	12,927	-	12,927
Total Accumulated Depreciation	22,850,920	1,551,966	(319,606)	24,083,280
Capital Assets, Net	\$ 25,998,142	\$ 15,582,614	\$ (5,124,256)	\$ 36,456,500

Accounts Payable and Accrued Liabilities

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

Accounts Payable	\$ 40,464
Salaries and Wages	470,620
Total Accounts Payable and Accrued Liabilities	\$ 511,084

Long-Term Debt and Liabilities

Bonds payable

Revenue Bonds Series 2020 were issued in December 2020 for \$4,480,000 to refund the College's Revenue Bonds Series 2011 bonds and to pay for bond insurance and expenses related to issuing the bonds. Revenue from student tuition and fees and a special building fee are sufficient to pay the annual debt service pledged to secure the bonds. The interest rate on this bond is 1.94%. This maturity date for this bond is September 1, 2040.

Enterprise State Community College Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Bonds payable (continued)

Revenue Bonds Series 2023 were issued in August 2023 for \$21,215,000 to pay for the issuance and expenses related to issuing the bonds and the costs of the acquisition, construction and equipping of the capital improvements. Revenue from student tuition and fees are sufficient to pay the bonds. The interest rate on this bond is 4.28%. The maturity date for this bond is September 1, 2053.

The College has a bond premiums in connection with the issuance of its 2020 Series Tuition Revenue Bonds and its 2023 Revenue Bonds. The bond premiums are being amortized using the effective interest method over the life of the bonds.

Revenue from student tuition and fees and a special building fee are sufficient to pay the annual debt service pledged to secure the bonds.

Leases payable

On December 11, 2020, the College entered into a 60 month lease as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$17,188. As of September 30, 2023, the value of the lease liability is \$9,188. The College is required to make quarterly fixed payments of \$1,034. The lease has an interest rate of 1.0350%. The equipment's estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of \$17,188 with accumulated amortization of \$8,036 is included in the capital assets table above. For additional information, refer to the disclosures below.

Subscription-Based Information Technology Arrangements

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.

On June 1, 2023, the College entered into a 36 month subscription for the use of Watermark Insights – Full Suite. An initial subscription liability was recorded in the amount of \$116,341. As of September 30, 2023, the value of the subscription liability is \$76,049. The College is required to make annual fixed payments of \$40,834. The subscription has an interest rate of 2.5030%. The value of the right to use asset as of September 30, 2023 of \$116,341 with accumulated amortization of \$12,927 is included with Software of the Subscription Class activities table found below.

Enterprise State Community College
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

The following is a summary of the bond payable for the year ended September 30, 2023:

Year ending September 30,	Bonds Payable			Lease Obligations		Subscriptions Payable		
	Principal	Interest	Total	Principal	Total	Principal	Interest	Total
2024	\$ 405,000	\$ 1,091,643	\$ 1,496,643	\$ 4,057	\$ 4,057	\$ 36,604	\$ 1,904	\$ 38,508
2025	460,000	1,038,903	1,498,903	4,099	4,099	39,445	987	40,432
2026	480,000	1,019,903	1,499,903	1,032	1,032	-	-	-
2027	505,000	997,953	1,502,953	-	-	-	-	-
2028	525,000	974,853	1,499,853	-	-	-	-	-
2029-2033	3,000,000	4,499,015	7,499,015	-	-	-	-	-
2034-2038	3,665,000	3,833,783	7,498,783	-	-	-	-	-
2039-2043	4,435,000	3,067,190	7,502,190	-	-	-	-	-
2044-2048	5,400,000	2,096,132	7,496,132	-	-	-	-	-
2049-2053	6,635,000	869,339	7,504,339	-	-	-	-	-
Total	25,510,000	19,488,714	44,998,714	9,188	9,188	76,049	2,891	78,940
Less: Current portion	405,000	1,091,643	1,496,643	4,057	4,057	36,604	1,904	38,508
Payable after one year	\$ 25,105,000	\$ 18,397,071	\$ 43,502,071	\$ 5,131	\$ 5,131	\$ 39,445	\$ 987	\$ 40,432

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease obligations	\$ 13,818	\$ -	\$ 4,630	\$ 9,188	\$ 4,057
Subscription Liabilities	-	116,341	40,292	76,049	36,604
Compensated absences	486,258	357,596	298,266	545,588	54,559
Bonds payable					
Bond Payable - Series 2020	4,480,000	-	185,000	4,295,000	190,000
Bond Premium - Series 2020	291,319	-	26,819	264,500	25,921
Bond Payable - Series 2023	-	21,215,000	-	21,215,000	215,000
Bond Premium - Series 2023	-	167,590	-	167,590	23,642
Total long-term liabilities	\$ 5,271,395	\$ 21,856,527	\$ 555,007	\$ 26,572,915	\$ 549,783

The College has pledged student tuition and fee revenue to repay \$4,295,000 in Revenue Bond Series 2020 issued in December 2020, to refund the Series 2011 Revenue Bonds. Additionally, the College pledged student tuition and fee revenue to repay \$21,215,000 in Revenue Bond Series 2023 issued in August 2023, to pay for capital improvements. Future revenues are pledged to repay the principal and interest on the bonds. During the 2023 fiscal year, pledged tuition and fee revenue and a special building fee in the amount of \$3,357,842, excluding technology fees, was received. \$312,715 of pledged revenues was used to pay principle and interest. The Series 2020 Revenue Bonds are scheduled to mature in fiscal year 2040, and the Series 2023 Revenue Bonds are schedule to mature in fiscal year 2053.

Note 3: RETIREMENT PLANS

Description of Plan

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

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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.

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.

Enterprise State Community College Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Contributions

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

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

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,154,070 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pension

At September 30, 2023, the College reported a liability of \$17,430,000 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 net pension liability was determined by an actuarial valuation as of September 30, 2021. 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 0.112156%, which was a decrease of 0.001021% from its proportion measured as of September 30, 2021.

Enterprise State Community College
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pension (continued)

For the year ended September 30, 2023, the College recognized pension expense of \$2,032,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 383,000	\$ 423,000
Changes of assumptions	791,000	-
Net difference between projected and actual earnings	3,498,000	-
Changes in proportion and differences between employer contributions and proportional share of contributions	123,000	133,000
Contributions made subsequent to the measurement date	1,154,070	-
Total	\$ 5,949,070	\$ 556,000

\$1,154,070 reported as deferred outflows of resources related to pension resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ending September 30,</i>	General
2024	\$ 1,224,000
2025	991,000
2026	653,000
2027	1,371,000
Total	\$ 4,239,000

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

Inflation	2.50%
Salary increases (including inflation)	3.25 - 5.00%
Investment rate of return *	
(net of investment expense, including inflation)	7.45%

*Net of pension plan investment expense

Enterprise State Community College
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources Related to Pension (continued)

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

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

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 of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	100.00%	

*Includes assumed inflation rate of 2.00%

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 pan 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.

Enterprise State Community College
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	\$ 22,554,000	\$ 17,430,000	\$ 13,114,000

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/index.php/employers/financial-reports/gasb-68-reports/>.

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

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

Enterprise State Community College Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Benefits Provided

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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 covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Enterprise State Community College Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

Net OPEB Liability, Significant Assumptions, and Discount Rate

At September 30, 2023, the College reported a liability of \$1,623,090 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the Net OPEB liability was based on the employers' share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the College's proportion was 0.093150% which was an increase of 0.008651% from its proportion measured as of September 30, 2021.

Enterprise State Community College
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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

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

¹Includes 2.75% wage inflation

²Compound annually, net of investment expense, and includes inflation.

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

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

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

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

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

These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to

Enterprise State Community College
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Net OPEB Liability, Significant Assumptions, and Discount Rate (continued)

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 of Return
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean, includes 2.5% inflation

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. 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.

Enterprise State Community College
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

For the fiscal year ended September 30, 2023, the College recognized an OPEB expense of \$(902,069), 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	\$ 74,441	\$ 3,281,754
Change of assumptions	1,316,548	2,362,505
Net difference between projected and actual earnings on OPEB plan investments	204,119	-
Changes in proportion and differences between employer contributions and proportional share of contributions	783,267	762,971
Contributions subsequent to the measurement date	133,876	-
Total	\$ 2,512,251	\$ 6,407,230

\$133,876 reported as deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ending September 30,</i>	
2024	\$ (1,086,717)
2025	(1,040,696)
2026	(511,974)
2027	(450,789)
2028	(584,883)
Thereafter	(353,796)
Total	\$ (4,028,855)

**Enterprise State Community College
Notes to Financial Statements**

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity to Changes in the Healthcare Cost Trend Rates and Discount Rates

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

	1% Decrease (5.50%) decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible)	Ultimate Trend (6.50%) decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50%) decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	\$ 1,230,792	\$ 1,623,090	\$ 2,104,206

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 2,006,711	\$ 1,623,090	\$ 1,301,051

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 5: RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The College has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The College pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The College

Enterprise State Community College Notes to Financial Statements

Note 5: RISK MANAGEMENT (Continued)

purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the College has fidelity bonds on the College president and business officer as well as on all other college personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational colleges 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.

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

Note 6: COMMITMENTS AND CONTINGENCIES

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 an underpayment to the Unemployment Compensation Trust fund of \$466. This deficit will be paid to the Trust Fund in the 2022-2023 fiscal year.

The College has active construction projects as of September 30, 2023. At year-end, the College's commitments with contractors are as follows:

Construction Contracts	Contract Amount	Expended through		Remaining Commitment
		September 30, 2023		
Brown Building Renovations	\$ 5,202,269	\$ 3,915,054	\$	1,287,215
Performing Arts Center	32,259,730	5,592,763		26,666,967
Steagall Hall Renovations	1,703,385	388,327		1,315,058
LBW Renovations	290,818	68,898		221,920
Workforce Development Center	11,871,051	359,804		11,511,247
Total outstanding commitments	\$ 51,327,253	\$ 10,324,846	\$	41,002,407

Enterprise State Community College
Notes to Financial Statements

Note 7: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made as outlined below:

Amount	Reason for Restatement
\$ (998)	Prior Year Invoice Encore Rehabilitation Inc.
(890)	Prior Year Invoice Southern Engineering Solutions, Inc.
(427)	Prior Year Invoice Southern Engineering Solutions, Inc.
(250)	Prior Year Invoice Verified Holdings LLC
(1,562)	Prior Year Invoice Alabama Community Newspapers
<u>\$ (4,127)</u>	

**Enterprise State Community College
Required Supplementary Information
Teachers' Retirement System of Alabama
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Last Nine Fiscal Years
(in thousands)**

As of the year ended September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.112156%	0.113177%	0.112746%	0.110478%	0.111167%	0.119407%	0.113096%	0.120386%	0.143068%
College's proportionate share of the net pension liability	\$ 17,430	\$ 10,662	\$ 13,946	\$ 12,215	\$ 11,053	\$ 11,736	\$ 12,243	\$ 12,599	\$ 12,997
College's covered payroll	\$ 8,323	\$ 7,993	\$ 7,712	\$ 7,680	\$ 7,153	\$ 7,923	\$ 7,270	\$ 7,606	\$ 8,922
College's proportionate share of the net pension liability as a percentage of its covered payroll	209%	133%	181%	159%	155%	148%	168%	166%	146%
Plan fiduciary net position as a percentage of the total pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	97.93%	67.51%	71.01%

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

Notes to schedule:

Note 1: 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. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

Note 2: From Detail Report Page 2

**Enterprise State Community College
Required Supplementary Information
Teachers' Retirement System of Alabama
Schedule of the Employer's Contributions
Last Nine Fiscal Years
(in thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,154	\$ 1,047	\$ 992	\$ 965	\$ 959	\$ 893	\$ 935	\$ 850	\$ 856
Contributions in relation to the contractually required contribution	1,154	1,047	992	965	959	893	935	850	856
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,754	\$ 8,323	\$ 7,993	\$ 7,712	\$ 7,680	\$ 7,153	\$ 7,923	\$ 7,270	\$ 7,606
Contributions as a percentage of covered payroll	13.2%	12.6%	12.4%	12.5%	12.5%	12.5%	11.8%	11.7%	11.3%

Notes to Schedule

Note 1: 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. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2022 - 9/30/2023.

Note 2: 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.

**Enterprise State Community College
Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Last Six Fiscal Years**

As of and for the year ended September 30,	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB liability	0.093150%	0.084499%	0.083454%	0.098477%	0.091911%	0.099396%
College's proportionate share of the net OPEB liability	1,623,090	4,365,906	5,416,048	3,715,309	7,558,914	7,382,567
College's covered payroll	8,323,085	7,993,381	7,711,677	7,679,950	7,152,591	7,922,866
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	19.50%	54.62%	70.23%	48.38%	105.68%	93.18%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

Notes to Schedule

Note 1: 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 9/30/2023 year is 10/1/2021 - 9/30/2022.

**Enterprise State Community College
Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
Schedule of the Employer's Contributions
Last Six Fiscal Years**

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 133,876	\$ 179,015	\$ 147,518	\$ 164,006	\$ 281,921	\$ 225,651
Contributions in relation to the Contractually required contribution	133,876	179,015	147,518	164,006	281,921	225,651
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,754,493	\$ 8,323,085	\$ 7,993,381	\$ 7,711,677	\$ 7,679,950	\$ 7,152,591
Contributions as a percentage of covered payroll	1.5%	2.2%	1.8%	2.1%	3.7%	3.2%

Notes to Schedule

Note 1: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported.

Note 2: GASB Codification P52 requires information for 10 years. However, until a full 10-year trend is compiled, the College is presenting information for only the years for which information is available.

Enterprise State Community College Notes to Required Supplementary Information

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

PENSION

The discount rate used was 7.45%, as compared to 7.70% at the prior measurement date.

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

Methods and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the Schedule of Pension Contributions were calculated as of September 30, 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:

	General Employees
Inflation	2.50%
Salary increases (including inflation)	3.25 - 5.00%
Investment rate of return * (net of investment expense, including inflation)	7.45%

*Net of pension plan investment expense

OPEB

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 increased were adjusted to reflect actual and anticipated experience more closely.

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

Recent Plan Changes

Beginning in plan year 2021, the Medicare Advantage (MAPD) plan premium rates exclude the Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

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

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

Enterprise State Community College Notes to Required Supplementary Information

Methods and Assumptions Used to Determine Contribution Rates

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2022, 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:

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

¹Includes 2.75% wage inflation

²Compound annually, net of investment expense, and includes inflation.

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Jimmy Baker, Chancellor – Alabama Community College System
Danny Long, President – Enterprise State Community College
600 Plaza Drive
Enterprise, Alabama 36330

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Enterprise 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 10, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

January 10, 2024

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Jimmy Baker, Chancellor – Alabama Community College System
Danny Long, President – Enterprise State Community College
600 Plaza Drive
Enterprise, Alabama 36330

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited the Enterprise State Community College (the “College”), a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College’s major federal programs for the year ended September 30, 2023. The College’s major federal program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on 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 Colleges federal programs.

Auditors' 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 for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the 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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama

January 10, 2024

**Enterprise State Community College
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

Section I – Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |
| 4. Identification of major programs | |

ALN Number	Federal Program
84.007	Student Financial Assistance Cluster
84.033	Federal Supplemental Educational Opportunity Grant
84.063	Federal Work Study Program
84.268	Federal Pell Grant Program
84.408	Federal Direct Student Loans
	Federal Iraq and Afghanistan Service Grant

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II - Financial Statements Findings

No such findings in the current year.

**Enterprise State Community College
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

Section III - Federal Award Findings and Questioned Costs

No such findings or questioned costs in the current year.

Section IV: Prior Findings and Questioned Costs for Federal Awards

Item 2022-001 – Suspension & Debarment – This item was corrected during the fiscal year ended September 30, 2023.

Item 2022-002 – Eligibility – This item was corrected during the fiscal year ended September 30, 2023.

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

Federal Agency Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
Federal Awards				
<u>U.S. Department of Education</u>				
<u>Student Financial Assistance Cluster</u>				
Direct Programs				
Federal Pell Grant Program	84.063		\$ -	\$ 4,574,048
Federal Supplemental Educational Opportunity Grant	84.007		-	88,671
Federal Work Study Program	84.033		-	87,581
Federal Iraq and Afghanistan Service Grant	84.408		-	3,487
Federal Direct Student Loans	84.268		-	3,164,905
Subtotal Student Financial Assistance Cluster				- 7,918,692
<u>TRIO Cluster</u>				
TRIO - Student Support Services	84.042A		-	620,998
TRIO - Educational Opportunity Center	84.066A		-	210,676
TRIO - Talent Search	84.044A		-	294,178
Subtotal for TRIO Cluster				- 1,125,852
<u>COVID 19: Education Stabilization Fund</u>				
COVID-19 Higher Education Emergency Relief Funds - Institutional Aid	84.425F		-	604,344
COVID-19 Higher Education Emergency Relief Funds - Student Relief	84.425E		-	15,132
Subtotal COVID-19: Education Stabilization Fund				- 619,476
<u>Passed through Alabama Community College Systems</u>				
Adult Education - Basic Grants to States	84.002		-	262,486
<u>Passed through Alabama State Department of Education</u>				
Career and Technical Education - Basic Grants to States	84.048		-	171,672
Total U.S. Department of Education				- 10,098,178

-Continued-

**Enterprise State Community College
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023
(Continued)**

Federal Agency Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Transportation</u>				
<u>Highway Safety Cluster</u>				
Passed through Alabama Department of Economic and Community Affairs				
State and Community Highway Safety	20.600	2023-FP-CP-8	-	165,268
State and Community Highway Safety	20.600	2023-FP-PT-11	703,933	703,933
State and Community Highway Safety	20.600	2023-FP-OP-9	41,243	41,243
Subtotal State and Community Highway Safety			745,176	910,444
National Priority Safety Programs	20.616	2023-ID-DS-7	25,382	25,382
National Priority Safety Programs	20.616	2023-ID-M5-10	163,969	163,969
Subtotal National Priority Safety Programs			189,351	189,351
Subtotal Highway Safety Cluster			934,527	1,099,795
<u>U.S. Department of Labor</u>				
<u>WIOA Cluster</u>				
Passed through Alabama Department of Commerce				
WIOA Adult Program	17.258	N/A	-	118,440
WIOA Dislocated Worker Formula Grants	17.278	N/A	-	7,000
WIOA Youth Activities	17.259	N/A	-	4,238
Subtotal WIOA Cluster			-	129,678
Passed through Alabama Department of Commerce				
WIOA National Dislocated Worker Grant - Disaster Recover DWG	17.277	N/A	-	3,500
Passed through Alabama Community College Systems				
H-1B Skills Training Grant	17.268	HG-33165-19-60-A-1	-	76,174
Total U.S. Department of Labor			-	209,352
<u>Research and Development Cluster</u>				
<u>National Science Foundation</u>				
<u>Passed Through Auburn University</u>				
STEM Education	47.076	1712692	-	15,593
<u>U.S. Department of Defense</u>				
<u>Passed through Auburn University</u>				
Basic and Applied Scientific Research	12.300	N000141912727	-	82,717
Subtotal Research and Development Cluster			-	98,310
Total Federal Expenditures			\$ 934,527	\$ 11,505,635

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal spending of the Enterprise State Community College (the “College”) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not represent the financial position of the College.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2023, the College did not elect to use this rate.

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The College did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2023.

Note 4: NONCASH ASSISTANCE AND OTHER

The College did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2023.

Note 5: 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.

Note 6: FEDERAL PASS-THROUGH FUNDS

The College is also 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 to be direct.

Note 7: FEDERAL EXPENSES RECLASSIFIED FROM A PRIOR YEAR

The College reclassified \$36,239 of federal expenses that were reported on the schedule for the year ended September 30, 2020 as Coronavirus Relief Funds under ALN 21.019. These expenses were subsequently denied reimbursement under ALN 21.019 and were reclassified to expenses of the COVID-19 Higher Education Emergency Relief Funds – Institutional Aid under ALN 84.425F.