

Certified Public Accountants
& Consultants



Chattahoochee Valley Community College
For the Year Ended September 30, 2023
Financial Statements

**Chattahoochee Valley Community College
As of September 30, 2023**

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**Chattahoochee Valley Community College
As of September 30, 2023**

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**Chattahoochee Valley Community College
As of September 30, 2022**

List of College Officials

| Officials | Position |
|-------------------|--|
| Jimmy Baker | Chancellor Alabama Community College System |
| Jacqueline Screws | President |
| Dexter Jackson | Dean of Financial Services |

Financial Section

Independent Auditor's Report

Jimmy Baker, Chancellor, Alabama Community College System
Jacqueline Screws, President, Chattahoochee Valley Community College
Phenix City, Alabama

Opinion

We have audited the accompanying financial statements of Chattahoochee Valley 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 College as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, Schedule of the College's Proportionate Share of the Collective Net Pension Liability, Schedule of the College's Contributions - Pension, Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability, Schedule of the College's Contributions - Other Postemployment Benefits (OPEB), and Notes to the Required Supplementary Information for Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Jackson Thornton & Co. PC

Montgomery, Alabama
January 16, 2024

CHATTAHOOCHEE VALLEY COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2022-2023

Overview of the Financial Statements and Financial Analysis

Chattahoochee Valley Community College (CVCC) is a public, open door, comprehensive community college dedicated to meeting the changing needs of citizens in the East Alabama service area. 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 to transfer to four-year institutions. Technical and workforce development programs equip students to master and practice certain skills as they enter the job market. The College offers a quality education, outstanding faculty, and an affordable way for its citizens to pursue college studies in their own hometown.

CVCC presents its 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: A) the Statement of Net Position; B) the Statement of Revenues, Expenses, and Changes in Net Position; and, 3) the Statement of Cash Flows. This report of the College's financial statements provides an overview of its financial activities for the year and comparative amounts for the prior year.

A) Statement of Net Position

The Statement of Net Position presents the assets, liabilities, 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. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of CVCC. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Liabilities (current and non-current), and Net Position (assets minus liabilities). The difference between current and non-current assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the Net Position (assets minus liabilities) and their availability for expenditure by the institution.

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

Statement of Net Position

| | <u>2022-2023</u> | <u>2021-2022</u> |
|-----------------------------|--------------------|---------------------|
| <u>Assets:</u> | | |
| Current Assets | \$9,632,424 | \$9,081,709 |
| Non-Current Assets | 22,705,350 | 19,679,664 |
| Total Assets | 32,337,774 | 28,761,373 |
| Deferred Outflow | 7,196,169 | 4,552,647 |
| <u>Liabilities</u> | | |
| Current Liabilities | 3,718,072 | 2,897,292 |
| Non-Current Liabilities | 21,491,517 | 18,553,013 |
| Total Liabilities | 25,209,589 | 21,450,305 |
| Deferred Inflow | 5,794,611 | 6,171,999 |
| <u>Net Position</u> | | |
| Net Investment in Capital | 16,742,132 | 13,450,669 |
| Assets | | |
| Restricted – non-expendable | 30,0000 | 30,0000 |
| Restricted – expendable | 19,698 | 19,698 |
| Unrestricted | (8,262,087) | (7,808,651) |
| Total Net Position | \$8,529,743 | \$ 5,691,716 |

Total net position of the institution overall increased by \$2,838,027; total liabilities for the year increased by \$3,759,284. CVCC's total assets for the year increased \$3,576,401.

A summary of the activity that resulted in the significant changes on the Statement of Net Position are detailed below:

- 1) Total current assets increased \$550,715. This amount can be attributed to a \$1,491,709 decrease in Cash and a \$2,040,181 increase in Accounts Receivable. Both of these are mainly due to ongoing Construction in Progress projects in which the college is paying upfront costs and submitting reimbursement invoices that will be funded via ACCS Capital Funding.
- 2) Total non-current assets increased \$3,025,686. Of this amount, accumulated depreciation increased \$906,393 and total capital asset additions were \$3,932,079.
- 3) The \$2,643,522 increase in deferred outflow of resources and the \$377,388 decrease in deferred inflow of resources are due to Pension and Other Postemployment Benefit (OPEB) activity during the fiscal year.
- 4) Total current liabilities increased by \$820,780 in mainly due to Accounts Payable and Unearned Revenue. The majority of the increase in noncurrent liabilities of \$2,938,504 is due to the change in Net Pension and the change in OPEB.
- 5) The deficit unrestricted net position of \$8,262,087 is the result of recognizing the Net Pension Liability, College's share of contributions attributed to pension liability and the Net OPEB Liability.

B) Statement of Revenues, Expenses, and Changes in Net Position

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

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

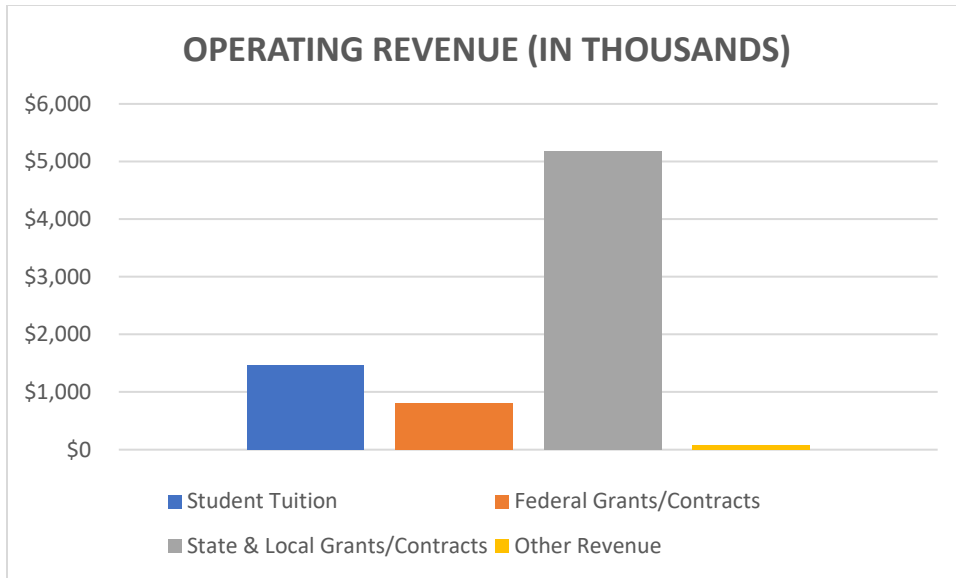
Statement of Revenues, Expenses, and Changes in Net Position

| | <u>2022-2023</u> | <u>2022-2022</u> |
|-------------------------------------|-------------------------|-------------------------|
| Operating Revenues | \$7,694,859 | \$6,603,593 |
| Operating Expenses | 19,951,207 | 18,610,337 |
| Operating Loss | (12,256,348) | (12,006,744) |
| Non-Operating Revenues and Expenses | 15,094,375 | 16,231,857 |
| Increase/Decrease in Net Position | 2,838,027 | 4,225,113 |
| Capital Gifts | | |
| Change in Net Position | 2,838,027 | 4,225,113 |
| Net Position, Beginning of Year | 5,691,716 | 1,466,603 |
| Restatements to Net Position | | |
| Net Position, End of Year | \$8,529,743 | \$5,691,716 |

The Statement of Revenues, Expenses, and Changes in Net Position reflect a profit with a net increase of \$2,838,027 at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented below:

OPERATING REVENUE (IN THOUSANDS)

| | <u>2022-2023</u> | <u>%</u> | <u>2021-2022</u> | <u>%</u> | <u>Net \$</u> |
|--------------------------------|-------------------------|-----------------|-------------------------|-----------------|----------------------|
| Student Tuition | \$1,532 | 20% | \$2,204 | 34% | (\$672) |
| Federal Grants/Contracts | 823 | 11% | 2,738 | 41% | (1,915) |
| State & Local Grants/Contracts | 5,247 | 68% | 1,497 | 23% | 3,750 |
| Other Revenue | 93 | 1% | 164 | 2% | (71) |
| Total Operating Revenue | \$7,695 | | \$6,603 | | \$1,092 |



The above chart displays, in thousands of dollars, the operating revenues by type and their relationship with one another. State and Local grants represent 68% of operating revenue; followed by Student Tuition & Fees with 20% and Federal grants and contracts with 11%. Other revenue represents 1% of the total operating revenue.

CVCC’s tuition and fee rate for fiscal year 2022-23 was \$166 per credit hour. CVCC’s tuition and fee rates are in line with the Alabama Community College System tuition and fee guidelines; the amount per credit hour is the maximum that can be charged. Gross tuition and fees increased by \$357,153 and scholarship allowances increased by \$1,029,855, for a net decrease of \$672,702. The increase in gross tuition and fees directly correlates to the increase in credit hours sold. The increase in scholarship allowances is related to more scholarships awarded. The College uses the case-by-case method to determine the amount of scholarship allowances and discounts. A tuition summary (net of scholarship allowances) is shown below:

| | <u>Net Student Tuition</u> | <u>Net Change</u> | <u>Total Credit Hour</u> | <u>Total Tuition/Fees</u> |
|---------------------|----------------------------|-------------------|--------------------------|---------------------------|
| Fiscal Year 2022-23 | 1,531,824.79 | (672,701.87) | 30,935 | \$166 per cr hr |
| Fiscal Year 2021-22 | 2,204,526.66 | (489,179.50) | 28,897 | \$164 per cr hr |
| Fiscal Year 2020-21 | 2,690,705.16 | 9,137.28 | 30,307 | \$164 per cr hr |
| Fiscal Year 2019-20 | 2,681,567.88 | (170,884.93) | 37,500 | \$162 per cr hr |
| Fiscal Year 2018-19 | 2,852,452.81 | 488,816.35 | 39,345 | \$160 per cr hr |
| Fiscal Year 2017-18 | 2,363,636.46 | (110,728.22) | 36,301 | \$150 per cr hr |
| Fiscal Year 2016-17 | 2,474,364.68 | (65,261.37) | 36,136 | \$148 per cr hr |
| Fiscal Year 2015-16 | 2,539,626.05 | (117,734.69) | 40,070 | \$146 per cr hr |
| Fiscal Year 2014-15 | 2,657,360.74 | 200,570.64 | 43,290 | \$144 per cr hr |
| Fiscal Year 2013-14 | 2,456,790.27 | (485,280.64) | 45,248 | \$142 per cr hr |
| Fiscal Year 2012-13 | 2,942,070.91 | 442,442.96 | 42,960 | \$140 per cr hr |
| Fiscal Year 2011-12 | 2,499,627.95 | 512,407.70 | 39,999 | \$138 per cr hr |
| Fiscal Year 2010-11 | 1,987,220.25 | 52,412.38 | 42,358 | \$117 per cr hr |
| Fiscal Year 2009-10 | 1,934,807.87 | (555,534.84) | 44,220 | \$112 per cr hr |
| Fiscal Year 2008-09 | 2,490,342.71 | 114,040.13 | 46,251 | \$90 per cr hr |

The operating federal grants and contracts of \$822,953 are comprised of: (1) \$119,486 from Vocational Ed/CTE, (2) \$155,791 for Adult Education, (3) \$473,169 from Title III – A, and (4) \$74,507 for CEVSS.

CVCC received operating state and local contracts totaling \$5,246,871. Some items included in that balance consisted of: (1) \$337,107 for Adult Education and English as a Second Language grants; (2) \$729,618 for Career Technical and Dual Enrollment; (3) \$2,150,043 for the ACCS Capital funds, (5) \$64,604 for ASAP, and (6) \$1,965,499 from various Workforce Development grants to support Industrial Maintenance, technical instructional programs, Career Coach, GED, Medical Lab Tech, Healthcare Heroes and Career Coach.

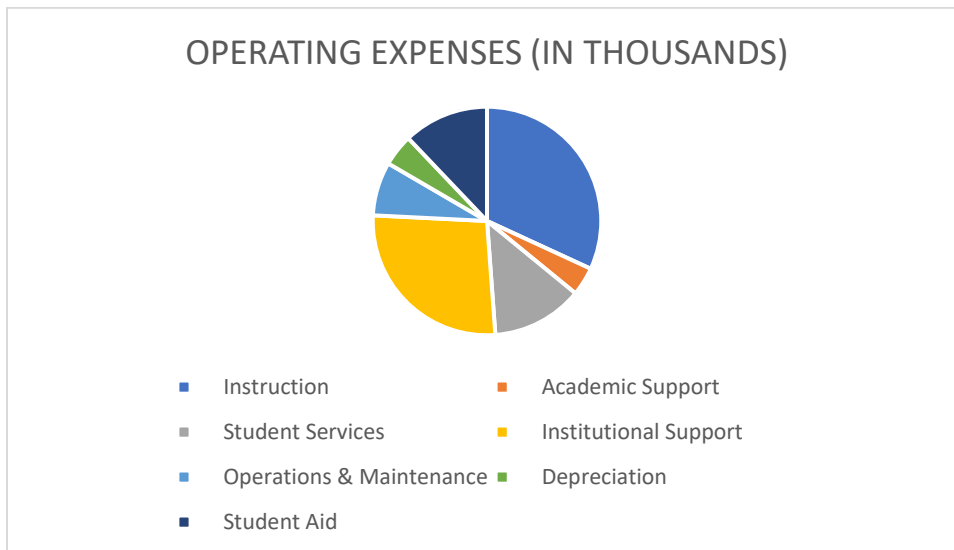
Other operating revenue of \$93,211 consists of bookstore, campus ticket fines, sales, vending, copying card sales, graduation fees, and other student testing fees

Net non-operating revenue and expenses totaled \$15,094,375. The major sources were \$8,289,112 from state appropriations, and \$6,742,984 from Title IV grants.

The operating expenses by function are displayed in the following exhibit:

OPERATING EXPENDITURES BY FUNCTION
(IN THOUSANDS)

| | <u>2022-2023</u> | <u>%</u> | <u>2021-2022</u> | <u>%</u> | <u>Net \$ Change</u> |
|---------------------------------|------------------|----------|------------------|----------|----------------------|
| Instruction | \$6,362 | 32% | \$5,407 | 29% | \$955 |
| Academic Support | 813 | 4% | 787 | 4% | 26 |
| Student Services | 2,600 | 13% | 2,206 | 12% | 394 |
| Institutional Support | 5,247 | 26% | 3,183 | 17% | 2,064 |
| Operations & Maintenance | 1,588 | 8% | 1,330 | 7% | 258 |
| Depreciation | 906 | 5% | 826 | 4% | 80 |
| Student Aid | 2,435 | 12% | 4,871 | 26% | (2,436) |
| Total Operating Expenses | \$19,951 | | \$18,610 | | \$1,341 |



Total operating expenditures increased \$1,340,870 in fiscal year 2022-2023. Instruction increased by \$955,139, Academic Support increased \$25,363, Student Services increased \$394,605, Institutional Support increased by \$2,064,726, Operation and Maintenance of Plant increased \$257,686, Student Aid decreased \$2,436,830 and Depreciation increased \$80,181.

A total of 40% of the College's \$19.9 million operating expenses is expended for salaries and wages. When benefits are combined with salaries and wages, the total is 53% of the College's total operating expense. The second highest amount expended is what the College pays to its vendors to acquire supplies, goods and services at 30%. The third highest operating expense of 12% is Student Aid. Depreciation comprised 5% of the operating expense.

The College had a 2022-23 debt service payment of \$411,906 which was for interest and principal on the 2020 Series Bond.

C) Statement of Cash Flows

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

Statement of Cash Flows for the Year

| | <u>2022-23</u> | <u>2021-2022</u> |
|--|--------------------|--------------------|
| Cash Provided (Used) by: | | |
| Operating Activities | (\$10,198,947) | (\$11,160,095) |
| Noncapital Financing Activities | 12,937,790 | 13,052,794 |
| Capital and Related Financing Activities | (4,283,807) | (697,576) |
| Investing Activities | 48,996 | 5,309 |
| Net Change in Cash | <u>(1,495,968)</u> | <u>1,200,432</u> |
| Cash, Beginning of Year | <u>7,687,641</u> | <u>6,487,209</u> |
| Cash, End of Year | <u>\$6,191,673</u> | <u>\$7,687,641</u> |

The primary cash receipts from operating activities consist of tuition and fees, grants, deposits refundable, and contracts. Cash outlays include payment of wages, benefits, supplies, utilities and scholarships.

State appropriations and federal Title IV PELL, and Cares Act grant payments are the primary sources of noncapital financing. This source of revenue is categorized as noncapital even though the College's budget depends on this to continue the current level of operations.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments.

Capital and related financing activities include the purchases and construction of capital assets during the year, proceeds from the sale of bonds, and the College's annual bond payment consisting of principal and interest paid, along with deposits with trustees at year end.

Economic Outlook

Chattahoochee Valley Community College's overall financial position is good. However, based on state and national economic conditions, the College is concerned about any future proration and continued reductions in the state allocation and federal grants for the upcoming years. Additionally, the college will need to overcome the challenge of regaining enrollment during the post-Covid19 environment once the Cares Act Funds that will allow for a loss of revenue booking have been completely depleted. CVCC will continue to maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

The College will adhere to established Alabama Community College System guidelines which are based on sound financial judgments. The College will take steps to meet the needs of students and the community while remaining financially conservative.

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

Submitted By:

Dexter Jackson
Dean of Financial Services

Basic Financial Statements

Chattahoochee Valley Community College
Statement of Net Position
September 30, 2023

Assets

Current Assets

| | | |
|---|----|-----------|
| Cash and cash equivalents | \$ | 6,191,673 |
| Accounts receivable (net allowance for doubtful accounts) | | 3,436,382 |
| Deposit with bond trustee | | 4,369 |
| Total current assets | | 9,632,424 |

Noncurrent Assets

| | | |
|------------------------------------|--|--------------|
| Capital assets | | |
| Land | | 506,000 |
| Improvements other than buildings | | 1,931,862 |
| Buildings and building alterations | | 25,667,314 |
| Equipment and furniture | | 5,086,055 |
| Library holdings | | 655,720 |
| Construction in progress | | 2,318,350 |
| Intangible assets | | 47,800 |
| Less accumulated depreciation | | (13,507,751) |
| Total noncurrent assets | | 22,705,350 |
| Total assets | | 32,337,774 |

Deferred Outflow of Resources

| | | |
|-------------------------------------|--|-----------|
| Pension | | 4,971,757 |
| Other postemployment benefit (OPEB) | | 2,224,412 |
| Total deferred outflow of resources | | 7,196,169 |

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

Liabilities**Current Liabilities**

| | | |
|--|----|------------------|
| Deposits | \$ | 239,050 |
| Accounts payable and accrued liabilities | | 1,373,416 |
| Bond surety fee payable | | 12,592 |
| Unearned revenue | | 1,760,078 |
| Compensated absences | | 62,158 |
| Bonds payable | | 270,778 |
| Total current liabilities | | <u>3,718,072</u> |

Noncurrent Liabilities

| | | |
|------------------------------|--|-------------------|
| Compensated absences | | 403,834 |
| Bonds payable | | 5,692,440 |
| Net pension | | 14,006,000 |
| Net OPEB liability | | 1,389,243 |
| Total noncurrent liabilities | | <u>21,491,517</u> |
| Total liabilities | | <u>25,209,589</u> |

Deferred Inflow of Resources

| | | |
|-------------------------------------|--|------------------|
| Pensions | | 629,982 |
| Other postemployment benefit (OPEB) | | 5,164,629 |
| Total deferred inflow of resources | | <u>5,794,611</u> |

Net Position

| | | |
|----------------------------------|----|------------------|
| Net investment in capital assets | | 16,742,132 |
| Restricted | | |
| Nonexpendable | | |
| Scholarships and fellowships | | 30,000 |
| Expendable | | |
| Scholarships and fellowships | | 19,698 |
| Unrestricted | | (8,262,087) |
| Total net position | \$ | <u>8,529,743</u> |

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

Operating Revenues

| | |
|---|------------------|
| Student tuition and fees (net of scholarship allowances of \$4,158,085) | \$ 1,531,824 |
| Other operating revenues | 81,652 |
| State grants and contracts | 5,246,871 |
| Local grants and contracts | 4,425 |
| Federal grants and contracts | 822,953 |
| Other auxiliary enterprises | 7,134 |
| Total operating revenues | <u>7,694,859</u> |

Operating Expenses

| | |
|------------------------------------|-------------------|
| Instruction | 6,361,792 |
| Academic support | 812,533 |
| Student services | 2,600,129 |
| Institutional support | 5,247,619 |
| Operation and maintenance of plant | 1,587,978 |
| Student aid (scholarships) | 2,434,763 |
| Depreciation | 906,393 |
| Total operating expenses | <u>19,951,207</u> |

Operating Income (Loss)

(12,256,348)

Nonoperating Revenues

| | |
|--------------------------------|-------------------|
| State appropriations - O & M | 8,289,112 |
| State appropriations - special | 104,750 |
| State appropriations - other | 85,847 |
| Federal grants and contracts | 6,742,984 |
| Investment income | 48,996 |
| Total nonoperating revenues | <u>15,271,689</u> |

Nonoperating Expenses

| | |
|-----------------------------|----------------|
| Interest debt payments | 146,129 |
| Bond surety fee expense | 31,185 |
| Total nonoperating expenses | <u>177,314</u> |

Net Increase (Decrease)

2,838,027

Net Position - Beginning of Year

5,691,716

Net Position - End of Year

\$ 8,529,743

Chattahoochee Valley Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Cash Flows from Operating Activities

| | |
|--|---------------------|
| Tuition and fees | \$ 1,861,740 |
| Grants and contracts | 6,069,824 |
| Payments to suppliers | (5,167,270) |
| Payments for utilities | (531,282) |
| Payments for employees | (8,051,973) |
| Payments for benefits | (2,580,097) |
| Payments for scholarships | (2,434,763) |
| Other auxiliary enterprise | 7,134 |
| Other receipts | 627,740 |
| Net cash provided (used) by operating activities | <u>(10,198,947)</u> |

Cash Flows from Noncapital Financing Activities

| | |
|---|-------------------|
| State appropriations | 7,017,155 |
| Bond surety fee expense | (30,929) |
| Federal grant revenue - nonoperating | 5,951,564 |
| Net cash provided (used) by noncapital financing activities | <u>12,937,790</u> |

Cash Flows from Capital and Related Financing Activities

| | |
|--|--------------------|
| Purchases of capital assets and construction | (3,932,079) |
| Principal paid on capital debt and leases | (245,000) |
| Interest paid on capital debt and leases | (146,129) |
| Deposits with trustees | 111 |
| Other capital and related financing | 39,290 |
| Net cash provided (used) by capital and related financing activities | <u>(4,283,807)</u> |

Cash Flows from Investing Activities

| | |
|--|---------------|
| Investment income | 48,996 |
| Net cash provided (used) by investing activities | <u>48,996</u> |

| | |
|---|----------------------------|
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,495,968) |
| Cash and Cash Equivalents at Beginning of the Year | <u>7,687,641</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 6,191,673</u></u> |

Chattahoochee Valley Community College
Statement of Cash Flows
For the Year Ended September 30, 2023

Reconciliation of Operating Income to Net

Cash Provided (Used) by Operating Activities

| | | |
|-------------------------|----|--------------|
| Operating income (loss) | \$ | (12,256,348) |
|-------------------------|----|--------------|

**Adjustments to Reconcile Operating Income (Loss)
to Net Cash Provided (Used) by Operating Activities**

| | | |
|--|----|---------------------|
| Depreciation expense | | 906,393 |
| Changes in assets and liabilities | | |
| Receivables (net) | | 149,372 |
| Deferred outflows | | (2,643,522) |
| Accounts payable | | 182,140 |
| Unearned revenue | | 662,848 |
| Deposits held for others | | (1,021) |
| Compensated absences | | (1,980) |
| Pension liability | | 5,455,000 |
| OPEB liability | | (2,274,441) |
| Deferred inflows | | (377,388) |
| Net cash provided (used) by operating activities | \$ | <u>(10,198,947)</u> |

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies

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

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

Measurement focus, basis of accounting, and financial statements 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.

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

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

| <u>Asset Class</u> | <u>Depreciation Method</u> | <u>Estimated Useful Lives</u> |
|--|----------------------------|-------------------------------|
| 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 |
| Capitalized software | Straight-line | 10 years |

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Net investment in capital assets - Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this 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.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted

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

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

Unrestricted - Net position 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 net position may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

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

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

New accounting pronouncements - During the current fiscal year, the College implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 96, Subscription-based information technology arrangements
- GASB Statement No. 98, The Annual Comprehensive Financial Report
- GASB Statement No. 99, Omnibus 2022

There was no impact on the College's financial statements related to implementation of these pronouncements.

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

The change in estimate resulted in an increase to allowance for doubtful accounts and a decrease to net accounts receivable in the amount of \$66,049.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 2 - Deposits and Investments

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 institution participating in the pool would share the liability for the remaining balance.

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

Note 3 - Receivables

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

Accounts Receivable

| | |
|--------------------------------------|----------------------------|
| Returned checks | \$ 7,531 |
| Student tuition and fees | 1,294,072 |
| Third-party tuition and fees | 349,615 |
| Federal grants and contracts | 1,010,297 |
| State grants and contracts | 1,860,921 |
| Other | 289,623 |
| Less allowance for doubtful accounts | <u>(1,375,677)</u> |
| Total accounts receivables | <u><u>\$ 3,436,382</u></u> |

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 4 - Capital Assets

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

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|------------------------------|---------------------|-------------------|---------------------------|
| Land | \$ 506,000 | | | \$ 506,000 |
| Construction in progress | 169,586 | \$ 2,148,764 | | 2,318,350 |
| Buildings | 25,597,597 | | | 25,597,597 |
| Building alterations | 69,717 | | | 69,717 |
| Improvements other than buildings and infrastructure | 1,806,374 | 125,488 | | 1,931,862 |
| Furniture and equipment greater than \$25,000 | 1,827,690 | | | 1,827,690 |
| Furniture and equipment \$25,000 or less | 1,602,545 | 1,655,820 | | 3,258,365 |
| Capitalized software | 47,800 | | | 47,800 |
| Library materials | 653,713 | 2,007 | | 655,720 |
| Total at historical cost | <u>32,281,022</u> | <u>3,932,079</u> | | <u>36,213,101</u> |
| Less accumulated depreciation | | | | |
| Buildings | 7,979,795 | 512,088 | | 8,491,883 |
| Improvements other than buildings and infrastructure | 1,026,802 | 70,893 | | 1,097,695 |
| Furniture and equipment greater than \$25,000 | 1,380,734 | 99,164 | | 1,479,898 |
| Furniture and equipment \$25,000 or less | 1,619,243 | 212,433 | | 1,831,676 |
| Capitalized software | 9,560 | 4,780 | | 14,340 |
| Library materials | 585,224 | 7,035 | | 592,259 |
| Total accumulated depreciation | <u>12,601,358</u> | <u>906,393</u> | | <u>13,507,751</u> |
| Capital assets, net | <u>\$ 19,679,664</u> | <u>\$ 3,025,686</u> | <u>\$ -</u> | <u>\$ 22,705,350</u> |

Note 5 - Defined Benefit Pension Plan

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

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 5 - Defined Benefit Pension Plan (continued)

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.

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 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2023, total employer contributions to the pension plan from the College were \$917,757.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 5 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2023, the College reported a liability for its proportionate share of the collective net pension liability of \$14,006,000. 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, 2023, the College's proportion was 0.90126% which was a decrease of 0.000641% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized pension expense of \$1,858,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 308,000 | \$ 340,000 |
| Changes of assumptions | 636,000 | |
| Net difference between projected and actual earnings on pension plan investments | 2,811,000 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 299,000 | 289,982 |
| Employer contributions subsequent to the measurement date | 917,757 | |
| Net contributions receivable | \$ 4,971,757 | \$ 629,982 |

The \$917,757 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending September 30 | Amount |
|----------------------------------|---------------|
| 2024 | \$ 1,049,000 |
| 2025 | 811,000 |
| 2026 | 456,000 |
| 2027 | 1,108,018 |
| 2028 | |
| Thereafter | |

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 5 - Defined Benefit Pension Plan (continued)

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

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

*Net of pension plan investment expense, including inflation

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

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

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

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 5 - Defined Benefit Pension Plan (continued)

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

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

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

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

| | <u>1% Decrease (6.45%)</u> | <u>Current Discount Rate (7.45%)</u> | <u>1% Increase (8.45%)</u> |
|--|--------------------------------|--|--------------------------------|
| College's proportionate share of collective net pension liability | \$ 18,124,000 | \$ 14,006,000 | \$ 10,538,000 |

Pension plan fiduciary net petition - 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/>.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 6 - Other Postemployment Benefits (OPEB)

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

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

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

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

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

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

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

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

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.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At September 30, 2023, the College reported a liability for its proportionate share of the net OPEB liability of \$1,389,243. 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 0.079729% which was an increase of 0.008821% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized OPEB expense of (\$670,320), 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:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 63,716 | \$ 2,808,934 |
| Changes of assumptions | 1,126,866 | 2,022,126 |
| Net difference between projected and actual earnings on OPEB plan investments | 174,710 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 751,913 | 333,569 |
| Employer contributions subsequent to the measurement date | 107,207 | |
| Totals | <u>\$ 2,224,412</u> | <u>\$ 5,164,629</u> |

The \$107,207 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

| <u>Years Ending September 30</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2024 | \$ (747,871) |
| 2025 | (808,269) |
| 2026 | (365,794) |
| 2027 | (340,308) |
| 2028 | (490,746) |
| Thereafter | (294,436) |

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

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

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

| | |
|--|---------------|
| Inflation | 2.50% |
| Salary Increase ¹ | 3.25% - 5.00% |
| Long-term Investment rate of return ² | 7.00% |
| Municipal Bond Index Rate at Measurement Date | 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 | |
| <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 |
| Optional Plans Trend Rate | 2.00% |

¹ Includes 2.75% wage inflation

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

** Initial Medicare claims are set based on scheduled increases through plan year 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 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below:

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

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

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

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.

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

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

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

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

(*) Geometric mean includes inflation of 2.50%.

**Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023**

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

Discount rate - The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 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 active member for participating employers. 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 with a cap of 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. Projected future benefit payments for all current plan members are projected through 2120.

The discount rate changed from 3.97% in the prior year to 7% in the current year.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the health care cost trend rates - The following table presents the College's proportionate share of the Net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease (5.50% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible) | Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible) | 1% Increase (7.50% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible) |
|------------------------------|---|---|---|
| College's net OPEB liability | \$ 1,053,465 | \$ 1,389,243 | \$ 1,801,042 |

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate - The following table presents the College's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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%) |
|------------------------------|--------------------------------|--|--------------------------------|
| College's net OPEB liability | \$ 1,717,593 | \$ 1,389,243 | \$ 1,113,602 |

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 7 - Construction and Other Significant Commitments

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, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

As of September 30, 2023, the College had committed to three projects totaling \$3,258,066 in estimated costs. One project was in process, with construction in progress totaling \$2,318,350 at September 30, 2023.

As of September 30, 2023, the College had been awarded approximately \$2,247,806 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 - Long-Term Liabilities

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|-----------------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Bonds payable | | | | | |
| Revenue bonds | \$ 5,855,000 | | \$ 245,000 | \$ 5,610,000 | \$ 250,000 |
| Bond premium | 373,995 | | 20,777 | 353,218 | 20,778 |
| Total bonds payable | <u>6,228,995</u> | | <u>265,777</u> | <u>5,963,218</u> | <u>270,778</u> |
| Other liabilities | | | | | |
| Compensated absences | 467,973 | | 1,981 | 465,992 | 62,158 |
| Total long-term liabilities | <u>\$ 6,696,968</u> | <u>\$ -</u> | <u>\$ 267,758</u> | <u>\$ 6,429,210</u> | <u>\$ 332,936</u> |

Chattahoochee Valley Community College Revenue Bonds, Series 2020, were issued December 17, 2020. The proceeds of the bonds were used for the redemption and prepayment of Revenue Bonds, Series 2009 as well as expenses related to the issuance of the bonds.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 8 - Long-Term Liabilities (continued)

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

| <u>Fiscal Year</u> | <u>Revenue Bonds</u> | | <u>Total</u> |
|--------------------|----------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2023-2024 | \$ 250,000 | \$ 159,556 | \$ 409,556 |
| 2024-2025 | 260,000 | 152,056 | 412,056 |
| 2025-2026 | 265,000 | 144,256 | 409,256 |
| 2026-2027 | 280,000 | 133,656 | 413,656 |
| 2027-2028 | 290,000 | 122,456 | 412,456 |
| 2028-2029 | 300,000 | 110,856 | 410,856 |
| 2029-2030 | 315,000 | 98,856 | 413,856 |
| 2030-2031 | 325,000 | 86,256 | 411,256 |
| 2031-2032 | 335,000 | 76,506 | 411,506 |
| 2032-2033 | 345,000 | 66,456 | 411,456 |
| 2033-2034 | 355,000 | 56,106 | 411,106 |
| 2034-2035 | 365,000 | 49,006 | 414,006 |
| 2035-2036 | 370,000 | 41,706 | 411,706 |
| 2036-2037 | 375,000 | 33,936 | 408,936 |
| 2037-2038 | 385,000 | 25,968 | 410,968 |
| 2038-2039 | 395,000 | 17,690 | 412,690 |
| 2039-2040 | 400,000 | 9,000 | 409,000 |
| Totals | <u>\$ 5,610,000</u> | <u>\$ 1,384,322</u> | <u>\$ 6,994,322</u> |

Bond premium - The College has a bond premium in connection with the issuance of its 2020 Series Tuition Revenue Bonds. The bond premium is being amortized using the straight-line method over the life of the bonds.

Pledged revenues - The College has pledged student tuition and fee revenue to repay \$5,855,000.00 in Revenue Bond Series 2020 issued in December 2020. Future revenues in the amount of \$6,994,322, are pledged to repay principal and interest on the bonds at September 30, 2023. Pledged revenues in the amount of \$4,372,199 were received during the fiscal year ended September 30, 2023, with \$411,906 or 9.4% of pledged revenues being used to pay interest during this fiscal year. These bonds are scheduled to mature in 2040.

Chattahoochee Valley Community College
Notes to Financial Statements
For the Year Ended September 30, 2023

Note 9 - Risk Management

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

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

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

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

Note 10 - Endowments

The College has endowments established by donors for the purpose of awarding scholarships to needy and worthy students. These scholarships were endowed by contributions totaling \$30,000, which is to be continuously invested in certificates of deposit at local financial institutions with the understanding that only the interest earned may be used for scholarship purposes.

Note 11 - Subsequent Events

The College has evaluated subsequent events through January 16, 2024, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2023 have been incorporated into these financial statements.

Required Supplementary Information

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| College's proportion of the collective net pension liability | 0.090126% | 0.090767% | 0.094412% | 0.087801% | 0.087979% | 0.082681% | 0.085161% | 0.085665% | 0.085322% |
| College's proportionate share of the collective net pension liability | \$ 14,006 | \$ 8,551 | \$ 11,678 | \$ 9,708 | \$ 8,747 | \$ 8,126 | \$ 9,220 | \$ 8,965 | \$ 7,751 |
| College's covered payroll during the measurement period (*) | \$ 7,953 | \$ 7,567 | \$ 6,847 | \$ 6,286 | \$ 5,909 | \$ 5,495 | \$ 5,428 | \$ 5,461 | \$ 5,438 |
| College's proportionate share of the collective net pension liability as a percentage of its covered payroll | 176.11% | 113.00% | 170.56% | 154.44% | 148.03% | 147.88% | 169.86% | 164.16% | 142.53% |
| Plan fiduciary net position as a percentage of the total collective pension liability | 62.21% | 76.44% | 67.72% | 69.85% | 72.29% | 71.50% | 67.93% | 67.51% | 71.01% |

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

Notes to Schedule:

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

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

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 918 | \$ 837 | \$ 795 | \$ 825 | \$ 762 | \$ 706 | \$ 647 | \$ 619 | \$ 613 |
| Contributions in relation to the contractually required contribution | <u>918</u> | <u>837</u> | <u>795</u> | <u>825</u> | <u>762</u> | <u>706</u> | <u>647</u> | <u>619</u> | <u>613</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered payroll | \$ 7,600 | \$ 7,953 | \$ 7,567 | \$ 6,847 | \$ 6,286 | \$ 5,909 | \$ 5,495 | \$ 5,428 | \$ 5,461 |
| Contributions as a percentage of covered payroll | 12.08% | 10.52% | 10.51% | 12.05% | 12.12% | 11.95% | 11.77% | 11.40% | 11.23% |

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

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

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.

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| College's proportion of the collective net OPEB liability (asset) | 0.079729% | 0.070908% | 0.070633% | 0.077842% | 0.073859% | 0.068874% |
| College's proportionate share of the collective net OPEB liability (asset) | \$ 1,389 | \$ 3,664 | \$ 4,584 | \$ 2,936 | \$ 6,070 | \$ 5,116 |
| College's covered payroll during the measurement period (*) | \$ 7,567 | \$ 6,237 | \$ 6,693 | \$ 6,174 | \$ 5,866 | \$ 5,368 |
| College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered payroll | 18.36% | 58.75% | 68.49% | 47.55% | 103.48% | 95.31% |
| Plan fiduciary net position as a percentage of the total collective OPEB liability | 48.39% | 15.26% | 19.80% | 28.14% | 14.81% | 15.37% |

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

The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

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

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

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 107 | \$ 149 | \$ 121 | \$ 143 | \$ 222 | \$ 183 |
| Contributions in relation to the contractually required contribution | <u>107</u> | <u>149</u> | <u>121</u> | <u>143</u> | <u>222</u> | <u>183</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered payroll | \$ 7,461 | \$ 7,567 | \$ 6,237 | \$ 6,693 | \$ 6,174 | \$ 5,866 |
| Contributions as a percentage of covered payroll | 1.43% | 1.97% | 1.94% | 2.14% | 3.60% | 3.12% |

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

**Chattahoochee Valley Community College
Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2022**

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

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

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

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

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

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

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

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

Supplementary Information

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

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing Number</u> | <u>Contract Number</u> | <u>Federal Expenditures</u> | <u>Subrecipient Expenditures</u> |
|--|--|----------------------------|---------------------------------|--------------------------------------|
| U.S. Department of Labor | | | | |
| Passed through the Alabama Department of Commerce | | | | |
| WIOA Adult Program | 17.258 | | \$ 29,305 | |
| Total WIOA Cluster | | | <u>29,305</u> | |
| Total U.S. Department of Labor | | | <u>29,305</u> | |
| U.S. Department of Education | | | | |
| Direct Program | | | | |
| Student Financial Aid Cluster | | | | |
| Federal Supplemental Educational Opportunity Grant | 84.007 | | 65,500 | |
| Federal Work Study Program | 84.033 | | 57,154 | |
| Federal Pell Grant Program | 84.063 | | 3,598,517 | |
| Federal Direct Student Loans | 84.268 | | <u>3,168,124</u> | |
| Total Student Financial Aid Cluster | | | <u>6,889,295</u> | |
| Higher Education Institutional Aid | 84.031 | | <u>473,168</u> | |
| Centers of Excellence for Veteran Student Success | 84.116G | | <u>74,507</u> | |
| Passed through the Alabama Community College System | | | | |
| Adult Education - Basic Grants to States | 84.002 | | <u>160,360</u> | |
| Passed through the Alabama State Department of Education | | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | | <u>119,486</u> | |

See accompanying notes to the schedule of expenditures of federal awards.

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

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Assistance Listing Number</u> | <u>Contract Number</u> | <u>Federal Expenditures</u> | <u>Subrecipient Expenditures</u> |
|---|--|----------------------------|---------------------------------|--------------------------------------|
| Education Stabilization Fund | | | | |
| Higher Education Emergency Relief Fund | | | | |
| Student Aid | 84.425E | | 563 | |
| Institutional Aid | 84.425F | | 2,580,896 | |
| Supplemental Assistance to Institutions of Higher Education Program (SAIHE) | 84.425S | | 461,438 | |
| Total Education Stabilization Fund | | | <u>3,042,897</u> | |
| Total U.S. Department of Education | | | <u>10,759,713</u> | |
| Total expenditures of Federal awards | | | <u>\$ 10,789,018</u> | <u>\$ -</u> |

See accompanying notes to the schedule of expenditures of federal awards.

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

Note 1 - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Chattahoochee Valley Community College (the College) under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the 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 present the financial position, changes in net assets, or cash flows of the College.

Note 2 - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Chattahoochee Valley Community College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Other Reports and Information

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

Jimmy Baker, Chancellor, Alabama Community College System
Jacqueline Screws, President, Chattahoochee Valley Community College
Phenix City, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chattahoochee Valley 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 16, 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 College'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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*.

Chattahoochee Valley Community College's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jackson Thornton & Co. PC

Montgomery, Alabama
January 16, 2024

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The President and Board of Trustees
Chattahoochee Valley Community College
Phenix City, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chattahoochee Valley Community College's (the College) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2023. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies 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.

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

We have audited the financial statements of the College as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated January 16, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the College. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements of the College. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements of the College as a whole.

Jackson Thornton & Co. PC

Montgomery, Alabama
February 5, 2024

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal Control over Financial Reporting

- Material weakness(es) identified? _____ X _____ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes _____ X _____ None reported

Noncompliance Material to Financial Statements Noted?

_____ Yes _____ X _____ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes _____ X _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes _____ X _____ None reported

Type of auditor's report issued on compliance for major programs - unmodified

Any audit findings disclosed that are required to be reported 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)*?

_____ Yes _____ X _____ No

Identification of major programs

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 84.007 | Federal Supplemental Educational Opportunity Grant |
| 84.033 | Federal Work Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loans |
| 84.425E | Higher Education Emergency Relief Fund - Student Portion |
| 84.425F | Higher Education Emergency Relief Fund - Institutional Portion |
| 84.425S | Higher Education Emergency Relief Fund - Supplemental Assistance to Institutions of Higher Education Program (SAIHE) |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee? _____ Yes _____ X _____ No

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

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2023-001 - Material Weakness

Criteria - Revenues are recognized when they are both measurable and available. Unearned revenue is recognized when funds are received in advance of the underlying event. Expenses are recognized when a liability is incurred, as under accrual accounting.

Condition - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - The College's balances of tuition and fees revenue, unearned revenue, expenses, and accounts payable and accrued liabilities were misstated. Our audit procedures identified revenue was overstated by \$63,942, unearned revenue was understated by \$63,942, expenses were understated by \$4,138, and accounts payable and accrued liabilities were understated by \$4,138.

Cause - The College reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures, however, was inconsistent, and the procedures did not adequately consider all significant receipts and expenses.

Recommendation - The College should enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded. Procedures should include a comprehensive assessment of new and existing revenues and expenses that are susceptible to accrual. Once these potential accruals are identified, a process should be formalized to capture the accruals and allow for supervisory review.

Views of Responsible Officials - The College agrees with the finding. The College will enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

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

Section III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to major federal programs that are required to be reported in accordance with the Uniform Guidance.

No matters were reported.



As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, Chattahoochee Valley Community College has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2022.

**Finding
Ref.
No.**

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2022-001 – Material Weakness

Criteria - Revenues are recognized when they are both measurable and available. Unearned revenue is recognized when funds are received in advance of the underlying event.

Condition - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - The College's balances of Federal and State revenue, receivables, and unearned revenue were misstated. Our audit procedures identified receivables were overstated by \$200,575, unearned revenue was understated by \$253,790, and revenue was overstated by \$454,365.

Cause - The College reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures, however, was inconsistent, and the procedures did not adequately consider all significant receipts and expenditures.

Recommendation - The College should enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded. Procedures should include a comprehensive assessment of new and existing revenues that are susceptible to accrual. Once these potential accruals are identified, a process should be formalized to capture the accruals and allow for supervisory review.

Views of Responsible Officials - The College agrees with the finding. The College will enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

CURRENT STATUS: The College has taken appropriate action to ensure Federal and State revenue is booked in the month earned instead of waiting until payment is received. This will eliminate multiple year end transactions to accrue revenue from prior months and reduce the possibility of a misstatement occurring.



Finding 2022-002 - Gramm-Leach-Bliley Act - Student Information Security (Noncompliance and Significant Deficiency)

Identification of the Federal Program - Student Financial Aid Cluster - Assistance Listing Nos. 84.007, 84.033, 84.063, and 84.268

Criteria - 2 CFR 200.303 requires that a non-federal entity must “(a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

16 CFR 314.4 (b) requires institutions to “Identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. At a minimum, such a risk assessment should include consideration of risks in each relevant area of your operations, including: (1) Employee training and management; (2) Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and (3) Detecting, preventing and responding to attacks, intrusions, or other systems failures.”

16 CFR 314.4(c) requires institutions to “Design and implement information safeguards to control the risks you identify through risk assessment, and regularly test or otherwise monitor the effectiveness of the safeguards’ key controls, systems, and procedures.”

Condition - The College did not perform a risk assessment that addresses the three required areas noted in 16 CFR 314.4(b). Further, since a risk assessment was not completed, the College did not document safeguards as required by 16 CFR 314.4(c).

The College’s internal control over the performance and documentation of risk assessments and corresponding safeguards as required by 16 CFR 314.4(b) and (c) was not adequate to ensure that a risk assessment was performed and documented.

Effect - The absence of risk assessment policies and procedures resulted in the College not performing a risk assessment.

Cause - The College did not perform a risk assessment addressing the requirements of 16 CFR 314.4(b) and (c).

Recommendation - The College should perform and document a periodic risk assessment and policies and procedures to ensure that they are in compliance with 16 CFR 314.4(b) and (c).



Views of Responsible Officials - Management agrees with the finding. The Alabama Community College System did perform a risk assessment in January 2023. This risk assessment included Chattahoochee Valley Community College. Therefore, this requirement to perform a periodic risk assessment has been addressed.

CURRENT STATUS: The College performed a technology risk assessment, which fully addressed this finding.

Submitted by:

Dexter Jackson
Dean of Financial Services



CHATTAHOOCHEE VALLEY COMMUNITY COLLEGE

Corrective Action Plan For the Year Ended September 30, 2023

Contact Person: Dexter Jackson
Phone Number: (334) 214-4815
Email: dexter.jackson@cv.edu

Finding 2023-001 Material Weakness

Criteria - Revenues are recognized when they are both measurable and available. Unearned revenue is recognized when funds are received in advance of the underlying event. Expenses are recognized when a liability is incurred, as under accrual accounting.

Condition - Policies and procedures over the recording of transactions occurring at or near year end are not adequate to capture all material accruals.

Effect - The College's balances of tuition and fees revenue, unearned revenue, expenses, and accounts payable and accrued liabilities were misstated. Our audit procedures identified revenue was overstated by \$63,942, unearned revenue was understated by \$63,942, expenses were understated by \$4,138, and accounts payable and accrued liabilities were understated by \$4,138.

Cause - The College reviews all transactions subsequent to year end through a specific cutoff date to determine which transactions should be accrued. The application of these procedures, however, was inconsistent, and the procedures did not adequately consider all significant receipts and expenses.

Recommendation - The College should enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded. Procedures should include a comprehensive assessment of new and existing revenues and expenses that are susceptible to accrual. Once these potential accruals are identified, a process should be formalized to capture the accruals and allow for supervisory review.



CHATTAHOOCHEE VALLEY COMMUNITY COLLEGE

Views of Responsible Officials - The College agrees with the finding. The College will enhance its supervisory review procedures to give special attention to transactions occurring at or near year end to ensure that all transactions have been properly recorded.

Corrective Action Plan

The College will take appropriate action to insure all transactions occurring at or near year end are properly recorded. A detail review of all balance sheet transactions will be conducted at the end of each month and again at year end. This will eliminate multiple year end transactions to accrue transactions from prior months and reduce the possibility of a misstatement occurring.