

**J.F. Drake State Community and Technical College  
Financial Statements  
September 30, 2024**

# J.F. Drake State Community and Technical College

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September 30, 2024

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**PART I**

**FINANCIAL STATEMENTS**

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## **Independent Auditor's Report**

Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Patricia Sims – J.F. Drake State Community and Technical College

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of J.F. Drake State Community and Technical College (the “College”), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the College as of September 30, 2024, 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 (GAAS) 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibility for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the listing of College Officials, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 14, 2025 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.

*Mauldin & Jenkins, LLC*

Athens, AL  
January 14, 2025

# **J.F. Drake State Community and Technical College**

## **Management's Discussion and Analysis**

### **September 30, 2024**

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#### ***Overview of the Financial Statements and Financial Analysis***

J. F. Drake State Community & Technical College has been committed to fulfill the diverse needs of its community by offering flexible and affordable university-transfer and technical degrees, certificates, adult and continuing education, and customized workforce training. Because of its location in the high-tech city of Huntsville, which is called the space and rocket capital of America, the College is dedicated to the teaching and advancement of the highest caliber of technical skills through state-of-the-art facilities and equipment. The College seeks to produce an effective participatory citizenship with economic potential as well as civic and social commitment. To this end, the College seeks to maintain a sound fiscal foundation in support of its mission in addition to providing responsible stewardship of public funds in compliance with state law.

Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flow. The following financial statements and analysis provide an overview of the financial activities for the year ending September 30, 2024.

The fiscal philosophy of the administration is to use resources to continually improve in all areas in alignment with the mission of the college while providing for a reasonable reserve of funds. These financial statements reflect the realization of that philosophy for the 2024 fiscal year.

#### ***Statement of Net Position***

The Statement of Net Position presents the total assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position presents data concerning Assets (current and noncurrent), Deferred Outflow of Resources, Liabilities (current and noncurrent), Deferred Inflow of Resources, and Net Position [(assets plus deferred outflow of resources) minus (liabilities plus deferred inflow of resources)]. The difference between current and noncurrent assets is detailed in the financial statement disclosures.

Net position is divided into three major categories: Net Investment in Capital Assets, Restricted and Unrestricted Assets.

- Capital investments include equity in property, plant, and equipment.
- Restricted net position is divided into two categories, expendable and nonexpendable. Restricted net position is available for expenditure by the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes.
- Unrestricted net position is available to the college in fulfilling its mission to provide education and services to the community.

**J.F. Drake State Community and Technical College**  
**Management's Discussion and Analysis**  
**September 30, 2024**

A condensed Statement of Net Position at September 30, 2024, and 2023, is presented below.

***Condensed Statement of Net Position***

	2024	2023	Increase (Decrease)	Percent Change
<b>Assets:</b>				
Current	\$ 18,888,655	\$ 13,130,139	5,758,516	44
Noncurrent	43,480,608	24,047,263	19,433,345	81
<b>Total Assets</b>	<b>62,369,263</b>	<b>37,177,402</b>	<b>25,191,861</b>	<b>68</b>
Deferred Outflows of Resources	3,843,153	4,939,477	(1,096,324)	(22.0)
<b>Liabilities:</b>				
Current	4,502,356	4,807,012	(304,656)	(6)
Noncurrent	16,931,663	11,164,294	5,767,369	52
<b>Total Liabilities</b>	<b>21,434,019</b>	<b>15,971,306</b>	<b>5,462,713</b>	<b>34</b>
Deferred Inflows of Resources	3,459,555	4,282,362	(822,807)	(19)
<b>Net Position:</b>				
Net Investment in Capital Assets	37,106,907	23,894,201	13,212,706	55
Restricted	-	153,062	(153,062)	(100)
Unrestricted	4,211,935	(2,184,052)	6,395,987	(293)
<b>Total Net Position</b>	<b>\$ 41,318,842</b>	<b>\$ 21,863,211</b>	<b>\$ 19,455,631</b>	<b>89</b>

During fiscal year 2024, total assets increased \$25,191,861. This amount represents a 68% increase and is mainly due to a \$21 million increase in net capital assets related to ongoing construction projects, which will be depreciated over its usefully life annually. In addition, the college issued a bond with unspent proceeds being placed with a deposit with trustee \$4.8 million which accounts for the majority of the change in net assets for year ending September 30, 2024. In addition, as required by Governmental Accounting Standards Board (GASB) Statement Number 68, \$892,524 reduction has been recorded for Pensions in the Deferred Outflow of Resources section. Also, as required by GASB Statement Number 75, \$203,799 reduction has been recorded for Other Postemployment Benefits (OPEB) in the Deferred Outflow of Resources section. These combined to represent a \$1,096,323 decrease for this section.

Total liabilities also increased by \$5,462,713 for fiscal year 2024. This is derived from the College obtaining a long-term liability from the acquisition of a bond to the amount of \$5,926,387 combined with a \$753,040 reduction in accounts payable for year-end. Pensions and OPEB in the Deferred Inflows of Resources net to a decrease of \$822,807 for the period. Ultimately, the College is reporting for the period ending September 30, 2024 significant increases in fund balance due to large the investments in capital assets as well as stable cash and cash equivalent balances to support continuing operations.



**J.F. Drake State Community and Technical College**  
**Management's Discussion and Analysis**  
**September 30, 2024**

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***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 (SRECNP). The purpose of the statement is to present revenues, both operating and nonoperating, and the expenses, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution. Operating revenues are received for providing instruction and other instructional services to the various constituencies of the College. Operating expenses are those expenses paid in return for the operating revenues and to carry out the College's mission. Non-operating revenues are revenues received for services that the College does not provide. For example, state appropriations are non-operating because they are provided by the Alabama State Legislature to the College without the legislature directly receiving commensurate services for those revenues.

A condensed Statement of Revenues, Expenses and Changes in Net Position for the 2024 and 2023 fiscal years is presented below.

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

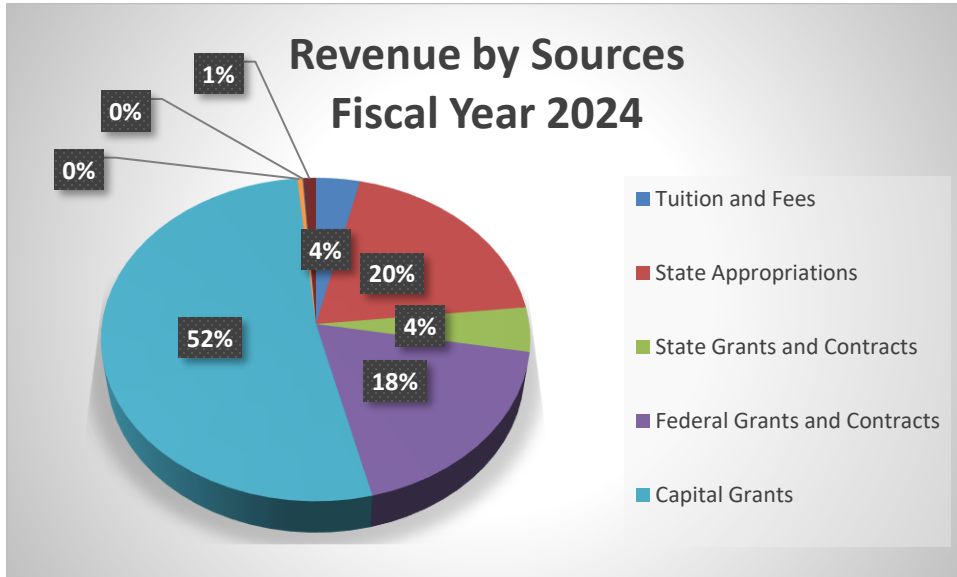
	2024	2023	Increase (Decrease)	Percent Change
Operating Revenues	\$ 5,605,538	\$ 14,631,435	\$ (9,025,897)	(62)
Operating Expenses	15,941,466	13,668,479	2,272,987	17
Operating Loss	(10,335,928)	962,956	(11,298,884)	(1,173)
Non-operating Revenues and Expenses	29,791,559	12,071,828	17,719,731	147
Increase (Decrease) in Net Position	19,455,631	13,034,784	6,420,847	49
Net Position, Beginning of Year	21,863,211	8,828,427	13,034,784	148
Net Position, End of Year	\$ 41,318,842	\$ 21,863,211	\$ 19,455,631	89

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$19,455,631. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are shown in Exhibit 1.

The chart in Exhibit 1 displays the operating revenue by type and the relationship of types of revenue with one another. Based on the information presented, Tuition and Fees and State Appropriations makeup four percent (4%) and twenty percent (20%) respectively. However, exclusive of all capital funding, Tuition and Fees and State Appropriations adjust to derive eight percent (8%) and forty-one percent (41%) of all revenue inflow into the College.

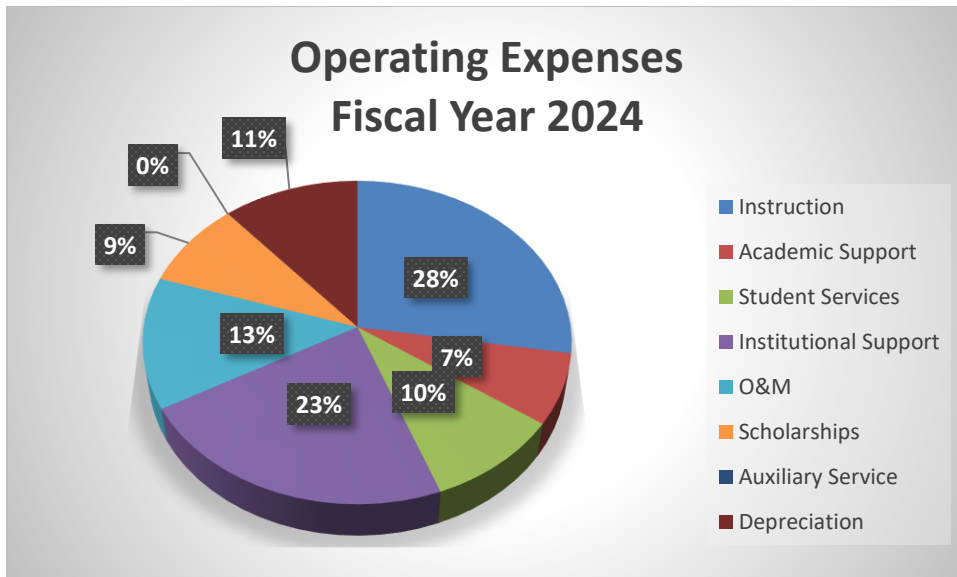
Federal Grants and Contracts and State Grants and Contracts adjusted for the exclusion of capital funding represents thirty-nine percent (39%) and seven percent (7%) rounding out all the major sources of income into the College.

Exhibit 1



The operating expenses by function are shown in Exhibit 2.

Exhibit 2



Instructional fees make up the largest category at 28%, with institutional support at 23% and maintenance at 13%.

**J.F. Drake State Community and Technical College**  
**Management's Discussion and Analysis**  
**September 30, 2024**

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***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 presents operating cash flows and shows the net cash used by operating activities. The second section reflects cash flows from noncapital financing activities. Noncapital financing activities include the cash received and spent for non-operating, non-investing, and other noncapital financing purposes. The third section deals with cash used from capital and related financing activities. Capital and related activities are those in which cash is used for the acquisition and construction of capital assets and assets related to construction and renovation. The fourth section of the statement presents cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position to the net cash provided or used by operating activities. A condensed Statement of Cash Flows for the years ending September 30, 2024 and 2023 is presented below.

***Condensed Statement of Cash Flows***

	2024	2023	Increase (Decrease)	Percent Change
Cash Flows from Operating Activities	\$ (9,088,743)	\$ 222,450	\$ (9,311,193)	(4,185)
Cash Flows from Non-Capital Financing Activities	12,161,349	11,988,623	172,726	1
Cash Flows from Capital and Related Financing Activities	(3,503,964)	(12,477,659)	8,973,695	72
Cash Flows from Investing Activities	(54,248)	(72,832)	18,584	26
Net Increase (Decrease) in Cash	\$ (485,606)	\$ (339,418)	\$ (146,188)	(43)

***Economic Outlook***

The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the upcoming fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The College has made significant investments in capital projects which has resulted in doubling the net position from year to year as well as providing the upgraded resources necessary to continue growing the operations. This combined with the sustained continuous growth of year after year in enrollment has postured the College to remain viable for future periods to come. Overall, the College's financial position remains stable with an adequate strategic reserve to its disposal.

The College anticipates continuing in the aforementioned upward trajectory of increased student enrollment coupled the maintenance of solid fiscal oversight. Additionally, the College plans to continue campus improvements to current infrastructure while adding new facilities to meet the

**J.F. Drake State Community and Technical College**  
**Management's Discussion and Analysis**  
**September 30, 2024**

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demand for space needed to reach future enrollment goals. The upcoming fiscal year will be similar to the last with additional increases in student enrollment. Moreover, the College continues its strategic plan to providing general as well as technical education training to the community while maintaining strong fund balances and healthy budgets. Ultimately, the College remain poised and laser-focused as we continue to meet the needs of the Huntsville, AL community and State of Alabama education and workforce training demands.

***Contacting J.F. Drake Community and Technical College Financial Management***

This financial report is designed to provide our stakeholders with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the J.F. Drake Community and Technical College Business Office, at 3421 Meridian St N, Huntsville, AL 35811.

**J.F. Drake State Community and Technical College**  
**Statement of Net Position**  
**September 30, 2024**

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**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 6,619,771
Short Term Investments	230,983
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$728,919	7,128,045
Inventories	7,786
Deposit with Bond Trustee	4,822,283
Other Current Assets	79,787
Total Current Assets	18,888,655

Non-Current Assets

Endowment Investments	209,743
Capital Assets:	
Land	548,964
Improvements Other Than Buildings	1,659,466
Buildings and Building Alterations	26,824,422
Equipment and Furniture	8,190,932
Art Collections	
Library Holdings	619,584
Construction in Progress	18,067,821
Subscription based IT arrangements	184,816
Less: Accumulated Depreciation	(12,825,140)
Total Capital Assets, Net	43,270,865
Total Non-Current Assets	43,480,608
Total Assets	62,369,263

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources Related to Pensions	2,608,725
Deferred Outflows of Resources Related to OPEB	1,234,428
Total Deferred Outflows of Resources	3,843,153

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

**J.F. Drake State Community and Technical College**  
**Statement of Net Position**  
**September 30, 2024**

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**LIABILITIES**

Current Liabilities

Deposits	\$ 136,284
Accounts Payable and Accrued Liabilities	2,266,977
Bond Surety Fee Payable	3,466
Bonds Payable - Current portion	99,186
Unearned Revenue	1,845,733
Current Portion - Subscription Liabilities	38,260
Compensated Absences	31,092
Other Current Liabilities	81,358
	<hr/>
Total Current Liabilities	4,502,356
	<hr/>

Non-Current Liabilities

Compensated Absences	394,596
Bonds Payable - Noncurrent portion	5,927,202
Subscription Liabilities	99,309
Net Pension Liability	9,588,000
Net OPEB Liability	922,556
	<hr/>
Total Non-Current Liabilities	16,931,663
	<hr/>

Total Liabilities	21,434,019
	<hr/>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources Related to Pensions	515,000
Deferred Inflows of Resources Related to OPEB	2,944,555
	<hr/>
Total Deferred Inflow of Resources	3,459,555
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**NET POSITION**

Net Position

Net Investment in Capital Assets	37,106,907
Restricted – Nonexpendable Scholarships	-
Unrestricted	4,211,935
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Total Net Position	\$ 41,318,842
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The accompanying notes are an integral part of these financial statements.

**J.F. Drake State Community and Technical College**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended September 30, 2024**

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$2,422,515)	\$ 1,293,007
Other Operating Revenues	37,010
Federal Grants and Contracts	2,495,338
State and Local Grants and Contracts	1,581,903
Sales and Services of Educational Activities	161,248
Bookstore	34,190
Vending	2,078
Other Auxiliary Enterprises	764
Total Operating Revenues	<u>5,605,538</u>

**OPERATING EXPENSES**

Instruction	4,397,581
Academic Support	1,130,522
Student Services	1,522,478
Institutional Support	3,613,438
Operation and Maintenance	2,091,048
Scholarships and Financial Aid	1,388,766
Depreciation	1,793,321
Auxiliary Enterprises	4,312
Total Operating Expenses	<u>15,941,466</u>
Operating Loss	<u>(10,335,928)</u>

**NONOPERATING REVENUES (EXPENSES)**

State and Local Appropriations	7,027,475
Federal Grants	4,072,077
Gifts, Noncash Gifts, and Revenue	47,748
Capital Grants	18,672,471
Investment Income	233,416
Endowment Income	32,486
Bond Surety Fee Expense	(17,984)
Interest on Debt	(276,130)
Net Nonoperating Revenues	<u>29,791,559</u>
Change in Net Position	19,455,631
Total Net Position - Beginning of Year	<u>21,863,211</u>
Total Net Position - End of Year	<u>\$ 41,318,842</u>

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

**J.F. Drake State Community and Technical College**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2024**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 1,262,980
Grants and Contracts	3,471,296
Payments to Suppliers	(4,221,681)
Payments for Utilities	(311,576)
Payments for Employees	(6,083,915)
Payments for Benefits	(1,902,592)
Payments for Scholarships	(1,482,045)
Sales and Service of Educational Services	161,248
Other Receipts (Payments)	(19,490)
Auxiliary Enterprises	37,032
Net Cash Used in Operating Activities	<u>(9,088,743)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State and Local Appropriations	7,019,183
Gifts and Grants for Other than Capital Purposes	47,748
Federal Grants	5,079,369
Other Noncapital Financing	15,049
Net Cash Provided by Noncapital Financing Activities	<u>12,161,349</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets and Construction	(21,169,985)
Principal Paid on Capital Debt and Leases	(146,376)
Interest Paid on Capital Debt and Leases	(196,204)
Capital Appropriations, Grants and Gifts Received	16,690,310
Deposits with Trustees	(4,822,283)
Proceeds from Issue of Capital Debt	6,140,574
Net Cash Used in Capital and Related Financing Activities	<u>(3,503,964)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Investments	153,062
Purchase of Investments	(440,726)
Investment Income	233,416
Net Cash Used in Investing Activities	<u>(54,248)</u>

Net Decrease in Cash and Cash Equivalents (485,606)

Cash and Cash Equivalents - Beginning of Year	7,105,377
Cash and Cash Equivalents - End of Year	<u>\$ 6,619,771</u>

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



**J.F. Drake State Community and Technical College**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2024**

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Reconciliation of Net Operating Income to Net	
Cash Used in Operating Activities	
Operating Income	\$ (10,335,928)
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities	
Depreciation and Amortization Expense	1,793,321
Pension and OPEB	86,578
Changes in Assets, Deferred Outflows and Inflows of	
Resources, and Liabilities:	
(Increase)/Decrease in Receivables	(2,094,624)
(Increase)/Decrease in Other Assets	8,317
Increase/(Decrease) in Other Liabilities	(24,070)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	1,305,572
Increase/(Decrease) in Compensated Absences	49,210
Increase/(Decrease) in Unearned Revenue	<u>122,881</u>
Net Cash Used in Operating Activities	<u>\$ (9,088,743)</u>

**Noncash Investing, Capital, and Financing Activities**

The College had \$188,776 in non-cash capital donations during the year ended 2024.

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

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of J.F. Drake State Community and Technical College (the “College” or “DSCTC”) 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.

**A. 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.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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**C. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**1. Cash, Cash Equivalents, and Investments**

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

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

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period.

**2. Receivables**

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

**3. Capital Assets and Right-to-Use Assets**

Capital assets, which include property, collections, and equipment other than intangible assets, 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. Right-to-use assets are defined as assets resulting from a lease or subscription-based information technology arrangement. 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 fair market value 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.

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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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 and right-to-use leased assets are as follows:

<u>Assets</u>	<u>Depreciation Method</u>	<u>Useful Lives</u>
Buildings	Straight-Line	50 years
Building Alterations	Straight-Line	25 years
Improvements other than Buildings	Straight-Line	25 years
Equipment > \$25,000	Straight-Line	10 years
Equipment < \$25,000	Straight-Line	5 years
Right-to-Use Leased Equipment	Straight-Line	5-10 Years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

**4. Deferred Outflow 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.

**5. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond/Warrants payable are reported net of the applicable bond/warrant premium or discount.

**6. 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.

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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**7. Deferred Inflow 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.

**8. Unearned Revenue**

Unearned revenue consists primarily of amounts received for fall student tuition and fees that are not earned until the next fiscal year. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

**9. Pensions**

The Teachers' Retirement System of Alabama ("TRS" or "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.

**10. 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.

**11. Net Position**

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

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

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
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*Restricted:*

*Nonexpendable* - Net position subject to externally imposed stipulations that it be maintained permanently by the College. Such assets would include 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 resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

## **12. Federal Financial Assistance Programs**

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

## **13. Scholarship Allowances and Student Aid**

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

## **14. Prepaid Expenses and Unearned Scholarships**

Prepaid expenses are composed predominantly of prepaid insurance. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year end. The College prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

## **15. New Accounting Pronouncements**

No new standards were implemented by the College for the fiscal year ended September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the fiscal year ending September 30, 2025. The College is analyzing GASB Statement No. 101 and related guidance to determine what impact implementation may have on the financial statements.

**J.F. Drake State Community and Technical College**  
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In December 2023, GASB issued Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. The College is analyzing GASB Statement No. 102 and related guidance to determine what if any additional risk disclosures would be required through implementation for inclusion in financial statements.

In April 2024, GASB issued Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues (identified through pre-agenda research conducted by the GASB). The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The College is still analyzing GASB Statement No. 103 and related guidance to determine what impact implementation may have on the financial statements.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

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

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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**B. Investments**

The College invests its funds in securities and investments in accordance with the *Code of Alabama 1975*, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the College may 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 of the United States of America that meet specified criteria. The College's investment policy permits investments in the following: 1) U.S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U.S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

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



**J.F. Drake State Community and Technical College**  
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The College shall not invest in stripped mortgage-backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities. Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

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

To the extent available, the College’s investments are recorded at fair value as of September 30, 2024. GASB Statement Number 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

**J.F. Drake State Community and Technical College**  
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Investments' fair value measurements are as follows at September 30, 2024:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Treasuries	\$ 5,053,266	\$ 5,053,266	\$ -	\$ -
Total Investments	\$ 5,053,266	\$ 5,053,266	\$ -	\$ -

*Interest Rate Risk* – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the below investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits its investment maturities as follows:

<u>Investment Type</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes, Bonds and Stripped Treasuries	10 years
U.S. Agencies	10 years
Certificates of Deposit	5 years
Mortgage-Backed Securities and Mortgage Related Securities	7 years*/10 years**

\*Aggregate life

\*\*Average life maturity of any one security

At year end, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
U.S. Treasuries	\$ 5,053,266	\$ 5,053,266	\$ -	\$ -

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The College does not have a formal investment policy that specifically addresses its investment choices related to this risk.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have an investment policy that limits the amount of securities that can be held by counterparties.

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
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*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formal investment policy that places limits on the amount the College may invest in any one issuer to less than 5%.

Instead, the College’s policy was to limit investments by type to the percentages shown below:

<u>Investment Type</u>	<u>% of Investment</u>
Stripped Treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificates of Deposit	No Limit
Mortgage-Backed Securities and Mortgage Related Securities	50%

**NOTE 3 - RECEIVABLES**

Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 923,065
State and Local	5,901,796
Third Party	172,080
Student	774,890
Other	85,133
Less: Allowance for Doubtful Accounts	<u>(728,919)</u>
Total Accounts Receivables, Net	<u>\$ 7,128,045</u>

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Deductions & Adjustments	Transfers	Ending Balance
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 548,964	\$ -	\$ -	\$ -	\$ 548,964
Construction in Progress	10,802,670	20,654,384	-	(13,389,233)	18,067,821
Total Capital Assets Not Being Depreciated:	11,351,634	20,654,384	-	(13,389,233)	18,616,785
<b>Capital Assets Being Depreciated:</b>					
Buildings	8,356,758	-	(349,936)	-	8,006,822
Building Alterations	5,738,622	-	193,902	12,885,076	18,817,600
Improvements Other than Buildings	1,155,309	-	-	504,157	1,659,466
Equipment > \$25,000	3,075,541	258,572	-	-	3,334,113
Equipment < \$25,000	4,420,713	436,106	-	-	4,856,819
Library Holdings	609,885	9,699	-	-	619,584
Intangible Right-to-Use Software Agreements	202,816	-	(18,000)	-	184,816
Total Capital Assets Being Depreciated	23,559,644	704,377	(174,034)	13,389,233	37,479,220
<b>Less Accumulated Depreciation and Amortization:</b>					
Buildings	4,641,692	125,158	(326,170)	-	4,440,680
Building Alterations	920,580	752,704	350,391	-	2,023,675
Improvements Other than Buildings	850,237	41,585	-	-	891,822
Equipment > \$25,000	1,946,131	372,697	-	-	2,318,828
Equipment < \$25,000	2,272,018	424,810	-	-	2,696,828
Library Holdings	352,156	30,979	8,521	-	391,656
Intangible Right-to-Use Software Agreements	34,263	45,388	(18,000)	-	61,651
Total Accumulated Depreciation	11,017,077	1,793,321	14,742	-	12,825,140
Total Capital Assets, Net	\$ 23,894,201	\$ 19,565,440	\$ (188,776)	\$ -	\$ 43,270,865

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

**J.F. Drake State Community and Technical College**  
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As of September 30, 2024, the College had 3 active subscriptions. The subscriptions have payments that range from \$6,367 to \$14,400 and interest rates that range from 3.3467% to 3.4087%. As of September 30, 2024, the total combined value of the subscription liability is \$141,788, and the total combined value of the short-term subscription liability is \$4,219. The combined value of the right to use asset, as of September 30, 2024 of \$184,816 with accumulated amortization of \$61,651 is included within the Software Agreements in the table found above. The subscriptions had \$0 of Variable Payments and \$0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

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

**B. Benefits Provided**

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

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

**J.F. Drake State Community and Technical College**  
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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.

### **C. 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% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021 the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of ACT 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$680,725 for the year ended September 30, 2024.

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
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**D. Pension Liabilities, Pension Expense, and Deferred Outflows & Inflows of Resources Related to Pensions**

At September 30, 2024 the College reported a liability of \$9,588,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023 the College's proportion was 0.060081%, which was a decrease of 0.002520% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of \$1,385,000. At September 30, 2024 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	\$ 857,000	\$ 129,000
Changes of assumptions	270,000	-
Net difference between projected and actual earnings on pension plan investments	658,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	143,000	386,000
Employer contributions subsequent to the measurement date	680,725	-
Total	<u>\$ 2,608,725</u>	<u>\$ 515,000</u>

\$680,725 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, 2025.

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

Year Ending September 30:

2025	\$ 551,000
2026	262,000
2027	668,000
2027	(68,000)
Total	<u>\$ 1,413,000</u>

**J.F. Drake State Community and Technical College**  
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**E. Actuarial Assumptions**

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

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

\*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

<b>Group</b>	<b>Membership Table</b>	<b>Set Forward(+)/ Setback (-)</b>	<b>Adjustment to Rates</b>
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.



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The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

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

*\*Includes assumed rate of inflation of 2.00%.*

**F. Discount Rate**

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

**G. 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:

	1% Decrease <u>(6.45%)</u>	Current Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
College's proportionate share of collective net pension liability	\$ 12,525,000	\$ 9,588,000	\$ 7,117,000

**J.F. Drake State Community and Technical College**  
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**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. 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 and the additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. 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 Alabama Retired Education Employee's Health Care Trust 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.

**B. 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.

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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, eye glasses, and contact lens prescriptions.

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

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

**J.F. Drake State Community and Technical College**  
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**C. 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.

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

At September 30, 2024, the College reported a liability of \$922,556 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022.

The College's proportion of the net OPEB liability was based on the College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the College's proportion was 0.04799603% percent, which was an decrease of 0.007586% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized an OPEB benefit of \$552,445, with no special funding situations.

**J.F. Drake State Community and Technical College**  
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At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,039	\$ 1,455,766
Changes of assumptions	777,222	912,657
Net difference between projected and actual earnings on OPEB plan investments	31,513	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	337,681	576,132
Employer contributions subsequent to the measurement date	69,973	-
	<u>\$ 1,234,428</u>	<u>\$ 2,944,555</u>

\$69,973 reported as deferred outflows of resources related to OPEB resulting from the J.F. Drake State Community and Technical College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2025.

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

Year Ending September 30:

2025	\$ (626,701)
2026	(289,969)
2027	(262,472)
2028	(354,208)
2029	(230,868)
Thereafter	(15,882)
Total	<u>\$ (1,780,100)</u>

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
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**E. Actuarial assumptions**

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

Inflation	2.50%
Salary Increase <sup>1</sup>	3.25% - 5.00%
Long-term Investment Rate of Return <sup>2</sup>	7.00%
Municipal Bond Index Rate at Measurement Date	4.53%
Municipal Bond Index Rate at Prior Measurement Date	4.40%
Projected Year for Fiduciary Net Position to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2033

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

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

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

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

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

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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 Teachers' Retirement System of Alabama Board on September 13, 2021.

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

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

The long-term expected rate of return on the OPEB plan investments 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:

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

\* *Geometric mean, includes 2.50% inflation*

**F. 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 is 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

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contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee.

Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% will increase or decrease 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 2028. Retiree benefit payments for College members are paid by the Colleges 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 2121.

**G. Sensitivity of the College’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.**

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

	<u>1% Decrease</u> <small>(6.0% decreasing to 3.50% for pre-Medicare and known decreasing to 3.50% for Medicare Eligible)</small>	<u>Current Healthcare Trend Rate</u> <small>(7.0% decreasing to 4.50% for pre-Medicare and known decreasing to 4.50% for Medicare Eligible)</small>	<u>1% Increase</u> <small>(8.0% decreasing to 5.50% for pre-Medicare and known decreasing to 5.50% for Medicare Eligible)</small>
Net OPEB Liability	\$699,287	\$922,556	\$1,193,649

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:

	<u>1% Decrease</u> <small>(6.00%)</small>	<u>Current Discount Rate</u> <small>(7.00%)</small>	<u>1% Increase</u> <small>(8.00%)</small>
Net OPEB Liability	\$1,138,893	\$922,556	\$738,425

**H. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 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](http://www.rsa-al.gov).



**J.F. Drake State Community and Technical College**  
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**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable and accrued liabilities represent amounts due at September 30, 2024, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$	204,730
Payroll Withholding		38,971
Supplies and Other Payables		2,023,276
Total	\$	<u>2,266,977</u>

**NOTE 8 - LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended September 30, 2024, was as follows:

	Beginning				Ending	Current
	Balance	Additions	Reductions		Balance	Portion
2023 Revenue Bond	\$ -	\$ 6,165,000	\$ (115,000)		\$ 6,050,000	\$ 100,000
Bond Premium	-	(24,426)	814		(23,612)	(814)
Total Bonds	-	6,140,574	(114,186)		6,026,388	99,186
Other Liabilities:						
Compensate Absences	376,478	49,210	-		425,688	31,092
Subscriptions Payable	168,945	-	(31,376)		137,569	38,260
Total Long-Term Liabilities	<u>\$ 545,423</u>	<u>\$ 6,189,784</u>	<u>\$ (145,562)</u>		<u>\$ 6,589,645</u>	<u>\$ 168,538</u>

On November 14, 2023, the Board of Trustees of the Alabama Community College System issued \$6,135,000 in limited obligation revenue bonds payable over 30 years with interest rates ranging from 5.00% to 5.25%, maturing in 2053. The bonds were issued to provide funding to renovate and improve Sparkman Hall located on the College's campus in Huntsville, Alabama.

**J.F. Drake State Community and Technical College**  
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**Bond Debt**

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

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2024-2025	\$ 100,000	\$ 308,544	\$ 408,544
2025-2026	100,000	303,544	403,544
2026-2027	105,000	298,544	403,544
2027-2028	110,000	293,294	403,294
2028-2029	120,000	287,794	407,794
2029-2030	125,000	281,794	406,794
2030-2031	130,000	275,544	405,544
2031-2032	135,000	269,044	404,044
2032-2033	145,000	262,294	407,294
2033-2034	150,000	255,044	405,044
2034-2035	160,000	247,544	407,544
2035-2036	165,000	239,544	404,544
2036-2037	175,000	231,294	406,294
2037-2038	185,000	222,544	407,544
2038-2039	190,000	213,294	403,294
2039-2040	200,000	203,794	403,794
2040-2041	210,000	193,794	403,794
2041-2042	220,000	183,294	403,294
2042-2043	230,000	172,294	402,294
2043-2044	245,000	160,794	405,794
2044-2045	255,000	148,237	403,237
2045-2046	270,000	135,169	405,169
2046-2047	285,000	121,331	406,331
2047-2048	300,000	106,725	406,725
2048-2049	315,000	91,350	406,350
2049-2050	330,000	74,812	404,812
2050-2051	345,000	57,487	402,487
2051-2052	365,000	39,375	404,375
2052-2053	385,000	20,212	405,212
Totals	\$ 6,050,000	\$ 5,698,328	\$ 11,748,328

**Bond Discount**

The College has a bond discount in connection with the issuance of its 2023 Series Revenue Bonds. The bond discount is being amortized using the effective interest method over the life of the applicable bonds.

Total Discount	2023 Discount
	\$ 24,426
Amount Amortized in Prior	-
Beginning Balance	24,426
Current Amount Amortized	(814)
Balance of Discount	\$ 23,612

**J.F. Drake State Community and Technical College**  
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**Pledged Revenues**

The College has pledged tuition and certain fee revenues for the payment of debt service on the Series 2023 Bonds. The debt was issued, for the purpose of providing funding to make certain improvements at the College’s campus, including construction of a 50,000 square foot facility for workforce and career technical programs, and construction of a new entrance to campus for improved traffic flow. Future revenues in the amount of \$11,748,328 are pledged to repay principal and interest on the bonds at September 30, 2024. Pledged revenues in the amount of \$1,293,007 were received during the fiscal year ended September 30, 2024, with \$313,180 or 24.22% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2053.

**Subscription Liabilities**

See Note 4 for further information on the Subscription Liabilities. The future subscription payments under these SBITA agreements are as follows:

	Subscriptions		
	Principal	Interest	Total
2025	\$ 38,260	\$ 4,621	\$ 42,881
2026	40,492	3,332	43,824
2027	28,430	1,968	30,398
2028	30,387	1,017	31,404
Total	\$ 137,569	\$ 10,938	\$ 148,507

**NOTE 9 - RISK MANAGEMENT**

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

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

**J.F. Drake State Community and Technical College**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2024**

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on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years. Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the College.

**NOTE 10 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of September 30, 2024, the College has awarded 2 contracts in the amount of \$29,671,265 in projects related to building renovations, and workforce development.

As of September 30, 2024, the College had been awarded approximately \$2,048,530 in federal, state, and local 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 11 – SUBSEQUENT EVENTS**

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

**Required Supplementary Information**

**J.F. Drake State Community and Technical College**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Teachers' Retirement Plan of Alabama (in thousands)**

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	For the measurement period ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.060081%	0.62601%	0.645040%	0.065017%	0.058299%	0.062776%	0.069142%	0.071344%	0.078133%	0.076619%
College's proportionate share of the net pension liability	\$9,588	\$9,729	\$6,076	\$8,042	\$6,446	\$6,242	\$6,796	\$7,951	\$8,177	\$6,961
College's covered payroll	\$5,070	\$4,902	\$4,721	\$4,634	\$4,157	\$4,167	\$4,582	\$4,692	\$4,961	\$4,884
College's proportionate share of the net pension liability as a percentage of its covered payroll	189.11%	198.47%	128.70%	173.54%	155.06%	149.80%	148.32%	169.46%	164.83%	142.53%
Plan fiduciary net position as a percentage of the total pension liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

**J.F. Drake State Community and Technical College**  
**Schedule of Pension Contributions**  
**Teachers' Retirement Plan of Alabama (in thousands)**

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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 680	\$ 610	\$ 584	\$ 564	\$ 562	\$ 507	\$ 506	\$ 541	\$ 552	\$ 558
Contributions in relation to the contractually required contribution	\$ (680)	\$ (610)	\$ (584)	\$ (564)	\$ (562)	\$ (507)	\$ (506)	\$ (541)	\$ (552)	\$ (558)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 5,650	\$ 5,070	\$ 4,902	\$ 4,721	\$ 4,634	\$ 4,157	\$ 4,167	\$ 4,582	\$ 4,692	\$ 4,961
Contributions as a percentage of covered payroll	12.04%	12.03%	11.91%	11.95%	12.13%	12.20%	12.14%	11.81%	11.76%	11.25%

**J.F. Drake State Community and Technical College**  
**Schedule of Proportionate Share of the Net OPEB Liability**  
**Alabama Retired Education Employees' Health Care Trust (in thousands)**

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	For the measurement period ended September 30,						
	2023	2022	2021	2020	2019	2018	2017
College's proportion of the net OPEB liability	0.047996%	0.055582%	0.049881%	0.048704%	0.053330%	0.055455%	0.059800%
College's proportionate share of the net OPEB liability	\$ 923	\$ 968	\$ 2,577	\$ 3,161	\$ 2,012	\$ 4,558	\$ 4,442
College's covered payroll	\$ 4,665	\$ 4,416	\$ 4,437	\$ 4,124	\$ 4,051	\$ 4,269	\$ 4,617
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	19.79%	21.92%	58.08%	76.65%	49.67%	106.77%	96.21%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

**Notes to the Schedule of College's Proportionate Share of the Net OPEB Liability**

This schedule presents only seven years of information, rather than ten years, as only seven years of trend information is available at September 30, 2024.



**J.F. Drake State Community and Technical College**  
**Schedule of OPEB Contributions**  
**Alabama Retired Education Employees' Health Care Trust (in thousands)**

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	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 70	\$ 75	\$ 316	\$ 268	\$ 305	\$ 488	\$ 410
Contributions in relation to the contractually required contribution	(70)	(75)	(316)	(268)	(305)	(488)	(410)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Northwest-Shoals Community College covered payroll	\$ 5,311	\$ 4,665	\$ 4,416	\$ 4,437	\$ 4,124	\$ 4,051	\$ 4,269
Contributions as a percentage of covered payroll	1.32%	1.61%	2.31%	1.94%	2.13%	3.73%	3.14%

**Notes to the Schedule of College 's OPEB Contributions**

This schedule presents only seven years of information, rather than ten years, as only seven years of trend information is available at September 30, 2024.

**J.F. Drake State Community and Technical College**  
**Notes to Required Supplementary Information**

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*Changes in actuarial assumptions*

In 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

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*

The September 30, 2022 valuation reflects the impact of Act 2022-222.

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 31, 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.

**J.F. Drake State Community and Technical College**  
**Notes to Required Supplementary Information**

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*Method and assumptions used in calculations of actuarially determined contributions*

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, 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	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
<i>Pre-Medicare Eligible</i>	6.50%
<i>Medicare Eligible</i>	**
Ultimate Trend Rate:	
<i>Pre-Medicare Eligible</i>	4.75%
<i>Medicare Eligible</i>	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.*

## **Other Information**

**J.F. Drake State Community and Technical College**  
**Listing of College Officials**

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<u>Officials</u>	<u>Position</u>
Jimmy Baker	Chancellor Alabama Community College System
Dr. Patricia Sims	President
Akeem Alexander	Executive Director of Fiscal Affairs & Administrative Services

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**PART II**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

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**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***

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Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Patricia Sims – J.F. Drake State Community and Technical College

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 J.F. Drake State Community and Technical College (the “College”), a component unit of the State of Alabama, as of and for the year ended September 30, 2024, 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 14, 2025.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

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

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

## Report on Compliance and Other Matters

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

### Purpose of this Report

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

*Mauldin & Jenkins, LLC*

Athens, AL  
January 14, 2025





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

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Jimmy Baker, Chancellor – Alabama Community College System  
Dr. Patricia Sims – J.F. Drake State Community and Technical College

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited J.F. Drake State Community and Technical College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2024. 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, J.F. Drake State Community and Technical 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, 2024.

***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 (GAAS); 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 in internal control over compliance may exist that were not identified.

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

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

#### **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, 2024 and the related notes to the financial statements, which collectively comprise the College’s basic financial statements. We issued our report thereon dated January 14, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mauldin & Jenkins, LLC*

Athens, Alabama  
January 14, 2025

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**PART III**

**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**

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**J.F. Drake State Community and Technical College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
<b>MAJOR PROGRAMS</b>				
<b><u>Research and Development Cluster</u></b>				
<b><u>U.S. Department of Education</u></b>				
<b><u>Direct Program</u></b>				
Higher Education - Institutional Aid	84.031		\$ -	\$ 1,506,045
Total Research and Development Cluster				<u>1,506,045</u>
<b>Total Major Programs</b>			<u>\$ -</u>	<u>\$ 1,506,045</u>
<b>NON-MAJOR PROGRAMS</b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007		-	47,500
Federal Work-Study Program	84.033		-	64,908
Federal Pell Grant Program	84.063		-	2,941,084
Total Student Financial Assistance Cluster			-	<u>3,053,492</u>
<b><u>Other Federal Awards</u></b>				
<b><u>U.S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
HEERF Historically Black Colleges and Universities (HBCUs)	84.425J		-	1,018,586
Total Higher Education Emergency Relief Fund (HEERF)			-	<u>1,018,586</u>
<b><u>Passed Through Alabama Community College System</u></b>				
Adult Education - Basic Grants to States	84.002	0920AE110	-	58,657

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**J.F. Drake State Community and Technical College**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b><u>Passed Through Alabama Department of Education</u></b>				
Career and Technical Education - Basic Grants to States	84.048	V048A190001	-	92,821
<b><u>National Science Foundation</u></b>				
<b><u>Passed Through Clark Atlanta University</u></b>				
Education and Human Resources	47.076		-	40,212
<b><u>U. S. Department of Treasury</u></b>				
<b><u>National Aeronautics &amp; Space Administration</u></b>				
<b><u>Direct Program</u></b>				
Office of STEM Engagement - Addictive Construction	43.008	80NSSC21M0303	-	358,240
<b><u>Department of Defense - Office of Economic Adjustment</u></b>				
<b><u>Passed Through University of Alabama In Huntsville</u></b>				
Alabama Defense of Advanced Manufacturing & Community	12.600	2020-1283	-	16,753
<b><u>U.S. Department of Commerce</u></b>				
<b><u>National Telecommunications Information Administration</u></b>				
Connecting Minority Communities Program	11.028	01-09-C13007	-	410,614
<b>Total Non-Major Programs</b>			\$ -	\$ 5,049,375
<b>Total Federal Awards</b>			\$ -	\$ 6,555,420

N.A. = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**J.F. Drake State Community and Technical College**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2024**

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of J.F. Drake State Community and Technical College (the “College”) under programs of the federal government for the year ended September 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Program classified as Type A is as follows:

Student Financial Aid Cluster

Higher Education – Institutional Aid

Higher Education Emergency Relief Fund

**Assistance Listing Numbers**

Assistance Listing (formerly Catalog of Federal Domestic Assistance, CFDA) numbers are assigned to contracts and grants on the basis of program type. Assistance Listing numbers and pass-through numbers are provided when available.

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**PART IV**

**SCHEDULES OF FINDINGS AND QUESTIONED COSTS**

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**J.F. Drake State Community and Technical Community College**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2024**

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**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? \_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_ 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? \_\_\_ 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 2 CFR 200.516(a) \_\_\_ yes   x   no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.031	Higher Education – Institutional Aid

Threshold used to determine Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee?   x   yes    no

**Section II – Financial Statement Findings**

The audit did not disclose any financial statement findings required to be reported.

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

The audit did not disclose any federal award findings or questioned costs required to be reported.

**J.F. Drake State Community and Technical Community College**  
**Schedule of Prior Year Findings and Questioned Costs**

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No matters were reported.