ATN

ALABAMA TECHNOLOGY NETWORK

ALABAMA TECHNOLOGY NETWORK

Annual Financial Report

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Alabama Technology Network (Network), 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 Network's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Network as of September 30, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Network, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Alabama Community College System Board of Trustees
Alabama Technology Network

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the list of officials 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 17, 2025 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Houston, Texas
January 17, 2025

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Management's Discussion and Analysis

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Alabama Technology Network

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Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The intent of the Management's Discussion and Analysis is to help the reader better understand the financial condition and activities of the organization that have occurred during the fiscal year ended September 30, 2024. This document has been prepared by management of the Alabama Technology Network (ATN or the Network) and should be read in conjunction with the financial statements and the notes to the financial statements.

ATN's financial report consists of the following statements:

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

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

Alabama Technology Network

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

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

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

Statement of Net Position

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

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

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

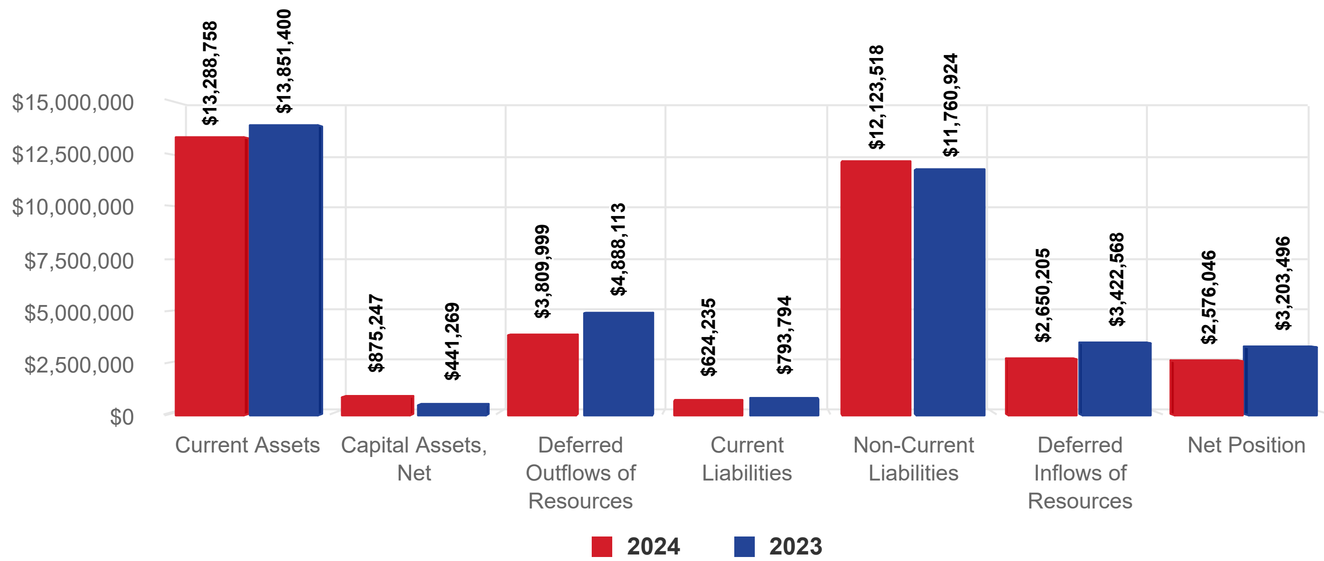
A condensed Statement of Net Position on September 30, 2024 and 2023 is presented below.

Statement of Net Position

	2024	2023
Assets		
Current Assets	$ 13,288,758	$ 13,851,400
Capital Assets, Net	875,247	441,269
Total Assets	**14,164,005**	**14,292,669**
Deferred Outflows of Resources	**3,809,999**	**4,888,113**
Liabilities		
Current Liabilities	624,235	793,794
Non-Current Liabilities	12,123,518	11,760,924
Total Liabilities	**12,747,753**	**12,554,718**
Deferred Inflows of Resources	**2,650,205**	**3,422,568**
Net Position		
Net Investment in Capital Assets	639,819	353,198
Unrestricted	1,936,227	2,850,298
Total Net Position	**$ 2,576,046**	**$ 3,203,496**

The following is a graphic presentation of the Network's Statement of Net Position as of September 30, 2024 and 2023:

Statement of Net Position



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Revenue and expense activities are categorized as either operating or non-operating. Operating revenues are received for providing goods and services to the various customers and constituencies of ATN. Operating expenses are those expenses incurred while carrying out programs offered by ATN. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are considered non-operating revenue.

Due to this operating/non-operating classification and because state appropriations are classified as non-operating, ATN's Statement of Revenues, Expenses, and Changes in Net Position reports an operating loss. This reported operating loss is typical of state supported/assisted organizations and demonstrates the reliance on State support. The operating loss for 2024 was $7,026,173.

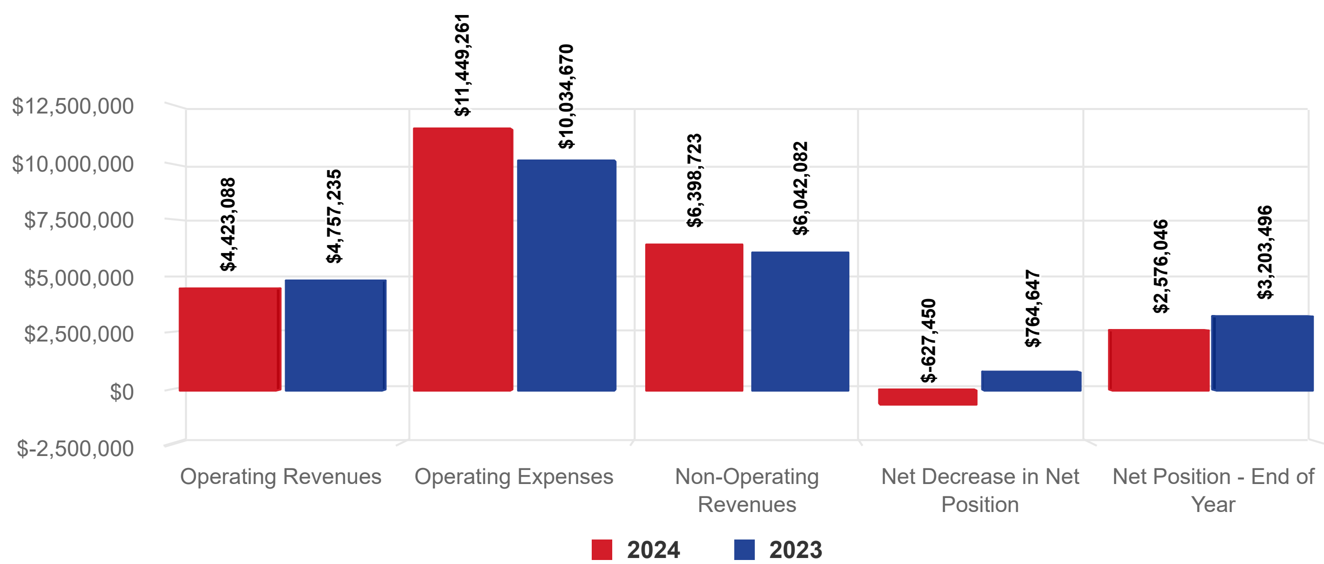
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 and 2023 is presented below.

Statement of Revenues, Expenses, and Changes in Net Position

	2024	2023
Operating Revenues	$ 4,423,088	$ 4,757,235
Operating Expenses	11,449,261	10,034,670
Operating Loss	(7,026,173)	(5,277,435)
Non-Operating Revenues	6,398,723	6,042,082
Net Decrease in Net Position	(627,450)	764,647
Net Position - Beginning of Year	3,203,496	2,438,849
Net Position - End of Year	**$ 2,576,046**	**$ 3,203,496**

The following is a graphic presentation of the Network's Statement of Revenues, Expenses & Changes in Net Position for the years ended September 30, 2024 and 2023:

Statement of Revenues, Expenses, and Changes in Net Position

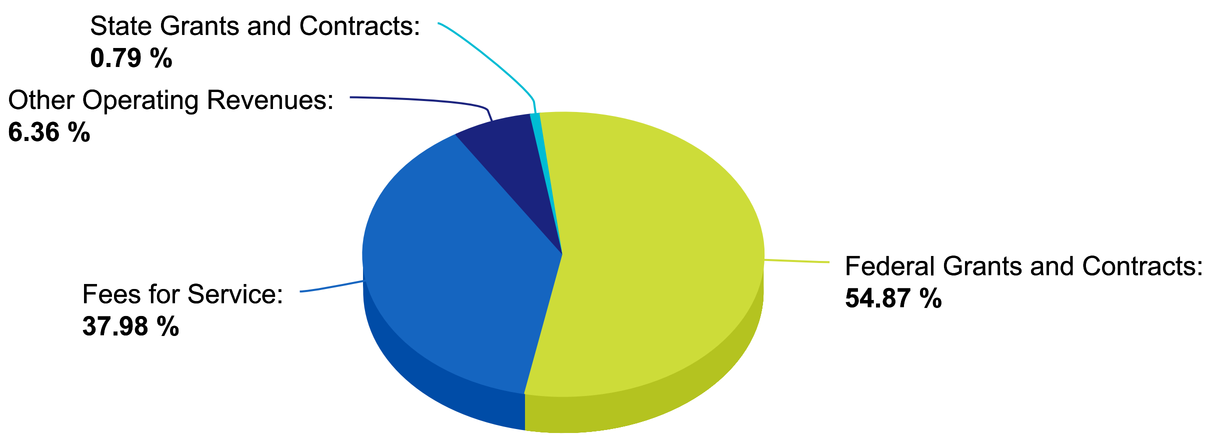


Operating Revenues

	2024	2023
Operating Revenues		
Fees for Service	$ 1,679,908	$ 2,226,103
Other Operating Revenues	281,312	221,116
State Grants and Contracts	34,950	67,922
Federal Grants and Contracts	2,426,918	2,242,094
Total Operating Revenues	**$ 4,423,088**	**$ 4,757,235**

The following is a graphic presentation of the total revenues by source for the fiscal year ended September 30, 2024.

Operating Revenues by Source



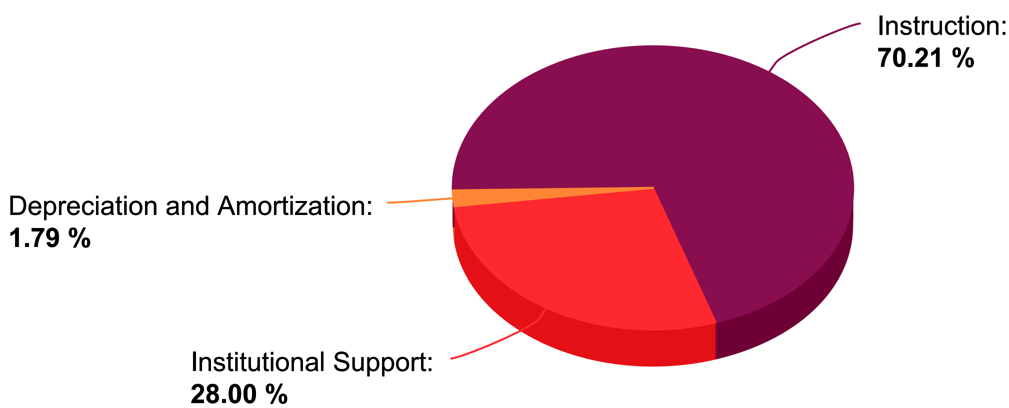
The operating expenses by function stated are displayed in the following exhibit.

Operating Expenses

	2024	2023
Operating Expenses		
Instruction	$ 8,037,705	$ 7,491,163
Institutional Support	3,206,183	2,379,312
Depreciation and Amortization	205,373	164,195
Total Operating Expenses	**$ 11,449,261**	**$ 10,034,670**

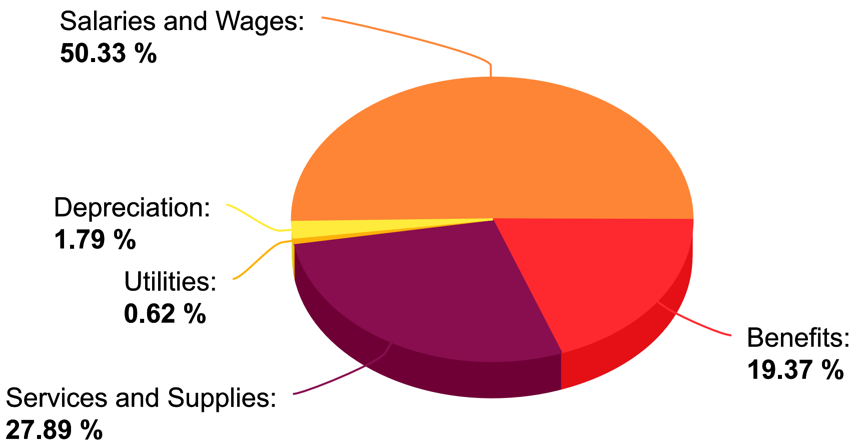
The following is a graphic presentation of operating expenses by function for the fiscal year ended September 30, 2024.

Operating Expenses by Function



Operating expenses are summarized here by natural classification.

Operating Expenses by Natural Classification

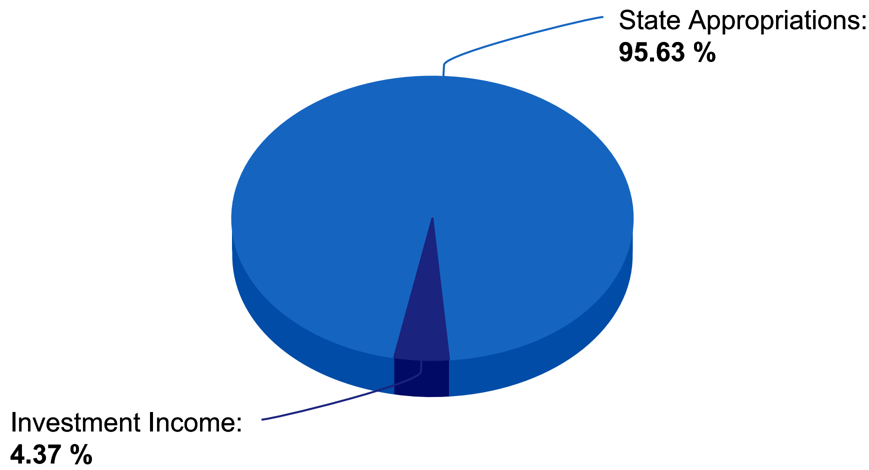


Comparison of Non-Operating Revenue

	2024	2023
Non-Operating Revenue		
State Appropriations	$ 6,118,946	$ 5,956,736
Investment Income	279,777	85,346
Total Non-Operating Revenue	**$ 6,398,723**	**$ 6,042,082**

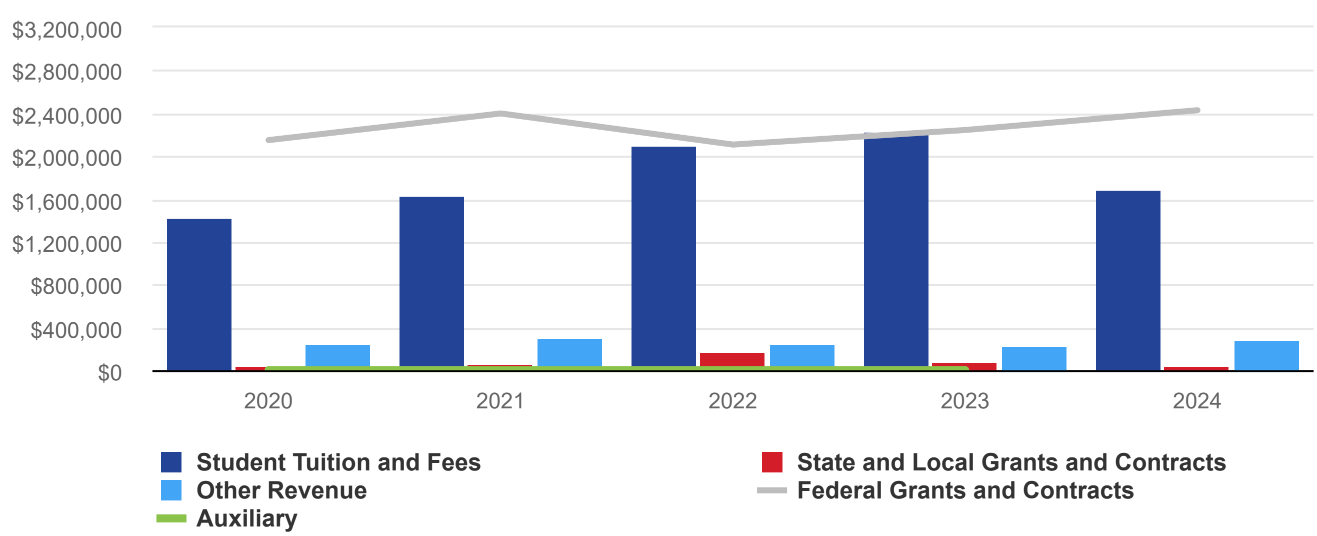
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

Comparison of Non-Operating Revenue



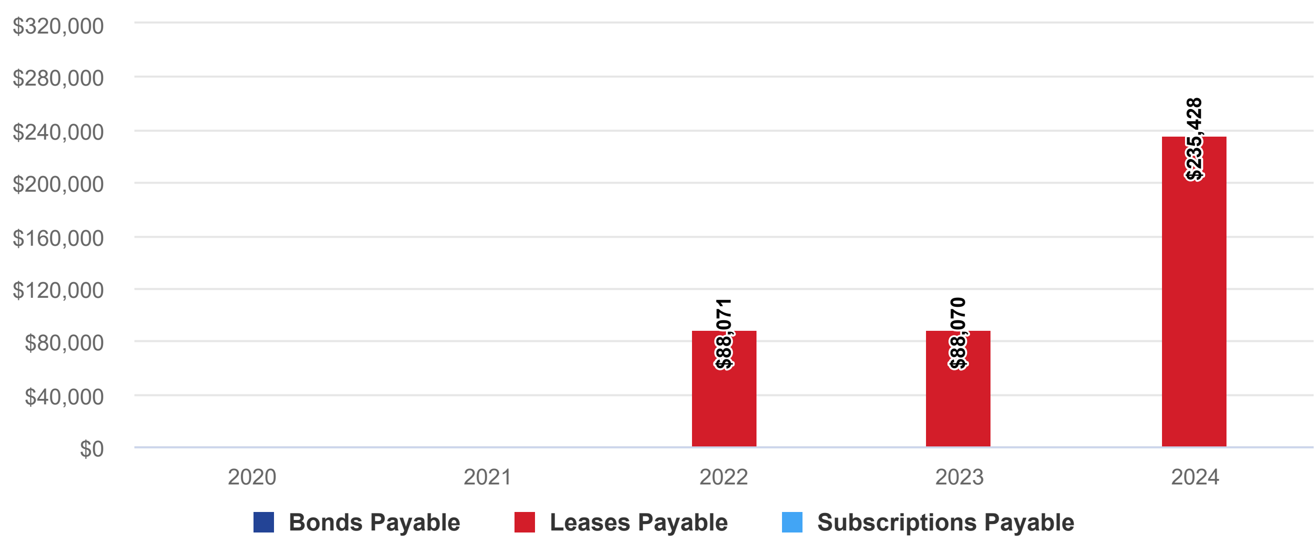
The following chart displays the 5 Year Comparison of Operating Revenue for the fiscal year ended September 30, 2024.

5 Year Comparison of Operating Revenue



The following chart displays 5 Year Comparison of Long-Term Debt Principal for the fiscal year ended September 30, 2024.

5 Year Comparison of Long-Term Debt Principal



Statement of Cash Flows

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

- Operating activities
- Non-capital financing activities
- Capital and related financing activities
- Investing activities
- A reconciliation of the net cash used to the operating income or loss reflected in the Statement of Revenues, Expenses, and Changes in Net Position

The first part deals with operating cash flows and shows the net cash used for operating activities. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

A condensed Statement of Cash Flows for the years ended September 30, 2024 and 2023 is presented below.

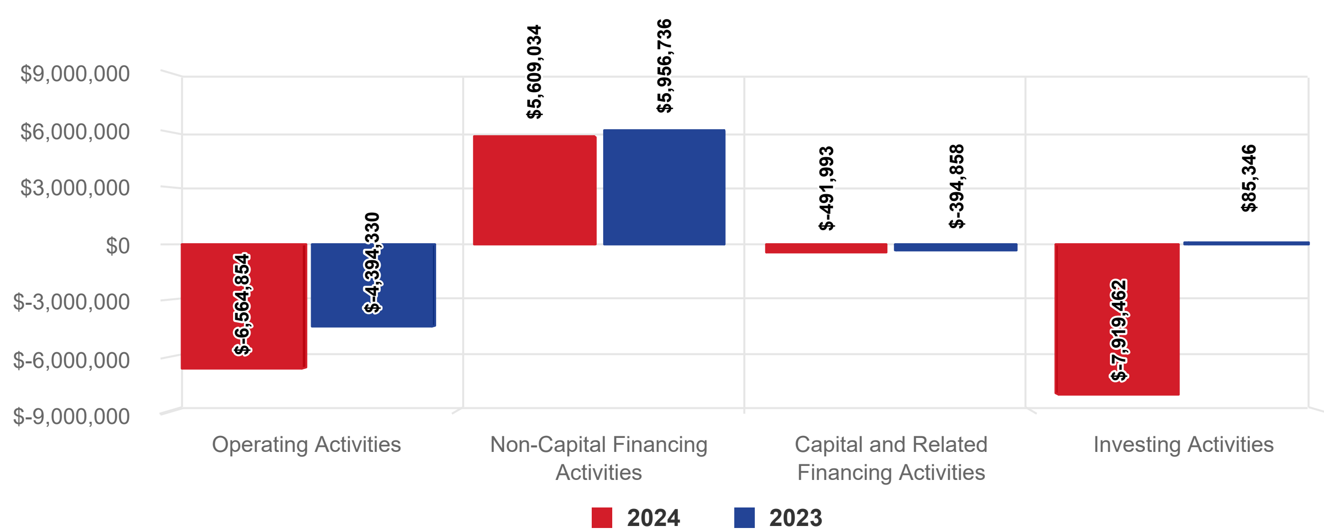
Statement of Cash Flows

	2024	2023
Cash Provided by (Used in):		
Operating Activities	$ (6,564,854)	$ (4,394,330)
Non-Capital Financing Activities	5,609,034	5,956,736
Capital and Related Financing Activities	(491,993)	(394,858)
Investing Activities	(7,919,462)	85,346
Net Change in Cash and Cash Equivalents	**(9,367,275)**	**1,252,894**
Cash and Cash Equivalents, Beginning of Year	13,062,347	11,809,453
Cash and Cash Equivalents, End of Year	**$ 3,695,072**	**$ 13,062,347**

The condensed statement presented above illustrates ATN's significant reliance upon State appropriations to meet its operating demands. Of the $5,609,034 in cash provided by noncapital financing activities, 100 percent is attributable to state appropriations.

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2024-2023.

Statement of Cash Flows



Capital Assets, net

	2024	2023
Furniture and Equipment	875,247	441,269
Total Capital Assets	**$ 875,247**	**$ 441,269**

During the fiscal year, the Network experienced an increase in Net Capital Assets. The growth is the result of equipment purchases and new leases Additional information concerning capital assets is provided in *Note 4* to the financial statements as well as *Note 7* relating to capital related future commitments.

Economic Outlook

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

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Financial Statements

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Statement of Net Position
September 30, 2024

		2024
Assets		
Current Assets		
Cash and Cash Equivalents	$	3,695,072
Short-Term Investments		8,199,237
Accounts Receivable (net of allowance for doubtful accounts)		1,394,449
Total Current Assets		**13,288,758**
Non-Current Assets		
Capital Assets, Net of Depreciation and Amortization		875,247
Total Non-Current Assets		**875,247**
Total Assets		**14,164,005**
Deferred Outflows of Resources		
Pension		2,881,094
Other Postemployment Benefit (OPEB)		928,905
Total Deferred Outflows of Resources	**$**	**3,809,999**

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

Statement of Net Position (Continued)
September 30, 2024

	2024
Liabilities	
Current Liabilities	
Deposits	$ 19,774
Accounts Payable and Accrued Liabilities	499,332
Compensated Absences	42,999
Leases Payable	62,130
Total Current Liabilities	**624,235**
Non-Current Liabilities	
Compensated Absences	816,978
Leases Payable	173,298
Net Pension Liability	10,422,000
Net OPEB Liability	711,242
Total Non-Current Liabilities	**12,123,518**
Total Liabilities	**12,747,753**
Deferred Inflows of Resources	
Pensions	405,000
Other Postemployment Benefit (OPEB)	2,245,205
Total Deferred Inflows of Resources	**2,650,205**
Net Position	
Net Investment in Capital Assets	639,819
Unrestricted	1,936,227
Total Net Position	**$ 2,576,046**

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2024

		2024
Operating Revenues		
Fees for Service	$	1,679,908
Other Operating Revenues		281,312
State Grants and Contracts		34,950
Federal Grants and Contracts		2,426,918
Total Operating Revenues		**4,423,088**
Operating Expenses		
Instruction		8,037,705
Institutional Support		3,206,183
Depreciation and Amortization		205,373
Total Operating Expenses		**11,449,261**
Operating Loss		**(7,026,173)**
Non-Operating Revenues (Expenses)		
State Appropriations		6,118,946
Investment Income		279,777
Total Non-Operating Revenues (Expenses)		**6,398,723**
Net Decrease in Net Position		**(627,450)**
Net Position - Beginning of Year		3,203,496
Net Position - End of Year	**$**	**2,576,046**

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

Statement of Cash Flows
For the Years Ended September 30, 2024

	2024
Cash Flows from Operating Activities	
Fees for Services	$ 1,735,082
Grants and Contracts	2,263,944
Payments to Suppliers	(3,825,082)
Payments for Employees	(5,322,924)
Payments for Benefits	(1,697,186)
Other Receipts	281,312
Net Cash Used in Operating Activities	**(6,564,854)**
Cash Flows from Non-Capital Financing Activities	
State Appropriations	5,609,034
Net Cash Provided by Non-Capital Financing Activities	**5,609,034**
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets and Construction	(639,351)
Principal Paid on Leases	147,358
Net Cash Used in Capital and Related Financing Activities	**(491,993)**
Cash Flows from Investing Activities	
Investment Income	279,777
Purchase of Investments	(8,199,239)
Net Cash Used in Investing Activities	**(7,919,462)**
Net Decrease in Cash and Cash Equivalents	**(9,367,275)**
Cash and Cash Equivalents - Beginning of Year	13,062,347
Cash and Cash Equivalents - End of Year	**$ 3,695,072**

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

Statement of Cash Flows (Continued)
For the Years Ended September 30, 2024

		2024
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$	(7,026,173)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities		
Depreciation and Amortization Expense		205,373
Changes in Assets and Liabilities:		
Receivables, Net		(95,483)
Deferred Outflows of Resources		1,078,113
Accounts Payable and Accrued Liabilities		32,097
Deposits Held for Others		(203,424)
Compensated Absences		115,819
Net Pension Liability		109,000
Net OPEB Liability		(7,814)
Deferred Inflows of Resources		(772,363)
Net Cash Used in Operating Activities	**$**	**(6,564,855)**

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

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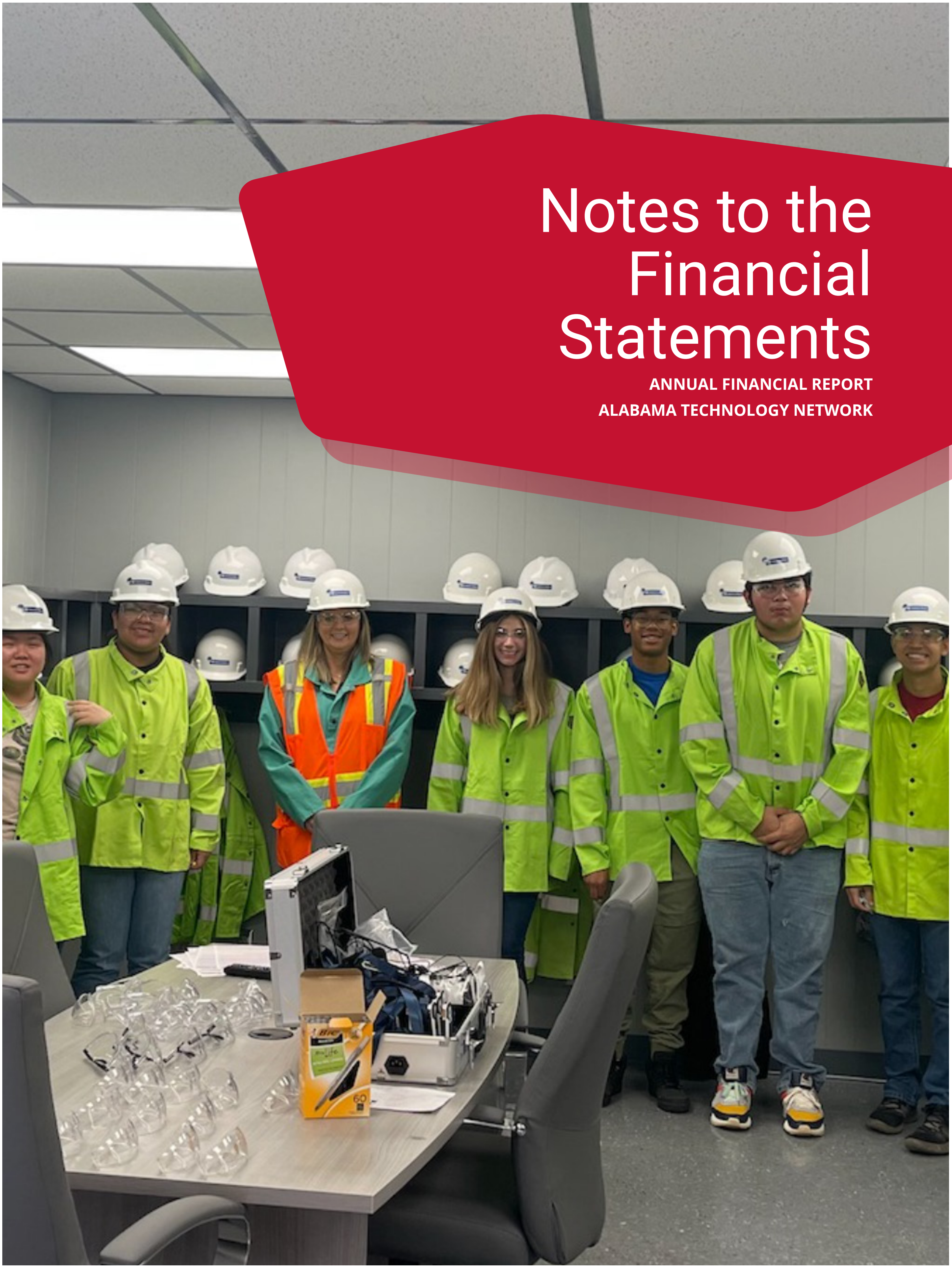
Notes to the Financial Statements

ANNUAL FINANCIAL REPORT
ALABAMA TECHNOLOGY NETWORK



Alabama Technology Network

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Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

The Network is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision, and regulation of the Network. In addition, the Network receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Network is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as fees, result from exchange transactions associated with the principal activities of the Network. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the Network's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations.

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 the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Investments are reported at fair value based on quoted market prices.

Receivables

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

Capital Assets

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

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities, or extend useful lives are capitalized.

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

Assets	Depreciation Method	Useful Lives
Furniture and Equipment	Straight Line	5-10 years

Leases

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

Capital and Lease Asset Impairment

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

No asset impairment was recognized during the year ended September 30, 2024.

Deferred Outflows of Resources

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

Compensated Absences

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

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

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

Deferred Inflows of Resources

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

Pensions

The Teachers' Retirement System of Alabama's (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position on the Plan, and additions to/deductions from the Plan's fiduciary net position. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made.

Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

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

Net Position

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

- **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.
- **Restricted:**
  - *Expendable* – Net position whose use by the Network is subject to externally imposed stipulations that can be fulfilled by actions of the Network pursuant to those stipulations or that expire by the passage of time.
  - *Non-expendable* – Net position subject to externally imposed stipulations that they be maintained permanently by the Network.
- **Unrestricted** – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Alabama Community College System Board of Trustees.

Federal Financial Assistance Programs

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

New Accounting Pronouncements

In June 2022, GASB issued Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, effective for reporting periods beginning after June 15, 2023. Statement No. 100 defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. The adoption of this statement by the State System had no impact on the previously reported beginning net position at September 30, 2023.

Note 2. Deposits and Investments

Deposits

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

Investments

The Statement of Net Position investments classification consists entirely of non-negotiable certificates of deposits, which are not subject to risk categorization because they are considered deposits for the purpose of this note.

Note 3. Receivables

Receivables are reported and summarized as follows:

Description	Amount
Federal Grants and Contracts	$ 439,477
State Grants and Contracts	175,294
Other	779,678
Less: Allowance for Doubtful Accounts	-
Total Accounts Receivable	**$ 1,394,449**

Note 4. Capital Assets

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

Description	Beginning Balance	Additions	Deductions	Adjustments	Ending Balance
Furniture and Equipment greater than $25,000	$ 1,739,939	$ 216,786	-	-	$ 1,956,725
Furniture and Equipment $25,000 or less	568,695	208,366	-	-	777,060
Right to Use Assets - Buildings and Equipment	205,972	213,201	(7,012)	-	412,162
Total Other Capital Assets	**2,514,606**	**638,353**	**(7,012)**	**-**	**3,145,947**
Less Accumulated Depreciation/ Amortization					
Furniture and Equipment greater than $25,000	1,449,062	58,990	-	-	1,508,053
Furniture and Equipment $25,000 or less	504,550	77,905	-	-	582,455
Right to Use Assets - Buildings and Equipment	119,725	68,478	(7,012)	(999)	180,192
Total Accumulated Depreciation/ Amortization	**2,073,337**	**205,373**	**(7,012)**	**(999)**	**2,270,700**
Total Capital Assets, Net	**$ 441,269**	**$ 432,980**	**$ -**	**$ 999**	**$ 875,247**

Note 5. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The 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.

Benefits Provided

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

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

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. 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 on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 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 fiscal 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 Network were $711,094711,094 for the year ended September 30, 2024.

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

At September 30, 2024, the System reported a liability of $10,422,000 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 Network's proportion of the collective net pension liability was based on the Network's' share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the System's proportion was 0.065312 percent, which was a decrease of 0.001051 percent from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Network recognized pension expense of approximately $1,124,000. At September 30, 2024, the Network reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 932,000	$ 141,000
Changes of Assumptions	293,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	715,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	230,000	264,000
Employer Contributions Subsequent to the Measurement Date	711,094	-
Total	**$ 2,881,094**	**$ 405,000**

$711,094 reported as deferred outflows of resources related to pensions resulting from Network 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 Ended September 30	Amount
2025	$ 638,000
2026	410,000
2027	761,000
2028	(44)

Actuarial Assumptions

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

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

* Net of pension plan investment expense, including inflation

The actuarial assumptions used in the actuarial valuation as of September 30, 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 Rate

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

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63-67 Female: 112% ages < 69 98% > 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

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
Int’l Developed Mkt Stocks	12.00%	9.50%
Int’l Emerging Mkt Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	**100.00%**	

* Includes assumed rate of inflation of 2.00%.

Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Network's Proportionate Share of the Collective Net Pension Liability	$ 13,616,000	$ 10,422,000	$ 7,737,000

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. 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)

Cost-Sharing Defined Benefit OPEB Plan

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Self - 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 the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (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 Employees' 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.

Benefits Provided

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan, VIVA Health Plan (offered through the Public Education Employees' Health Insurance Fund (PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board, Local Government Health Insurance Board, 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, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) 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.

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.

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

At September 30, 2024, the Network reported a liability of $711,242 for its proportionate share of the collective net OPEB liability. The Net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Network's proportion of the collective net OPEB liability was based on the Network's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the Network's proportion was 0.03700240%, which was a decrease of 0.00426461% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the Network recognized OPEB expense of $367,393 with no special funding situations. At September 30, 2024, the Network reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between Expected and Actual Experience	$ 13,907	1,122,319
Changes of Assumptions	599,197	703,610
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	24,295	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	239,631	419,276
Employer Contributions Subsequent to the Measurement Date	51,875	-
Total	**$ 928,905**	**$ 2,245,205**

The $51,875 reported as deferred outflows of resources related to OPEB resulting from the Network's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 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 Ended September 30	**Amount**
2025	$ (480,475)
2026	(235,558)
2027	(202,816)
2028	(263,621)
2029	(177,610)
Thereafter	(8,095)

Actuarial Assumptions

The Total OPEB Liability as of September 30, 2023, was determined based on an actuarial valuation prepared as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of September 30, 2023:

Inflation	2.50%
Salary Increases	5.00 - 3.25%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected 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 FYE
Medicare Eligible	4.50% in 2033 FYE

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

Mortality Rate

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

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.

Long-Term Expected Rate of Return

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

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

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

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

* Geometric mean, includes 2.50% inflation.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per 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 remain flat until, based on budget projections, it increases to $940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2121.

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

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

	1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	$ 539,114	$ 711,242	$ 920,240

The following table presents the Office's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 878,027	$ 711,242	$ 569,286

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases Payable	$ 88,070	$ 215,104	$ 67,746	$ 235,428	$ 62,130
Compensated Absences	744,159	153,525	37,707	859,977	42,999
Total Long-Term Liabilities	**$ 832,229**	**$ 368,629**	**$ 105,453**	**$ 1,095,405**	**$ 105,129**

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

Fiscal Year(s)	Principal	Interest	Total
2025	$ 62,130	$ 2,948	$ 65,078
2026	52,486	1,976	54,462
2027	42,585	1,230	43,815
2028	38,881	719	39,600
2029	39,346	254	39,600
Total	**$ 235,428**	**$ 7,127**	**$ 242,555**

Note 8. Risk Management

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

Note 9. Health Insurance

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

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

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

Required Supplementary Information

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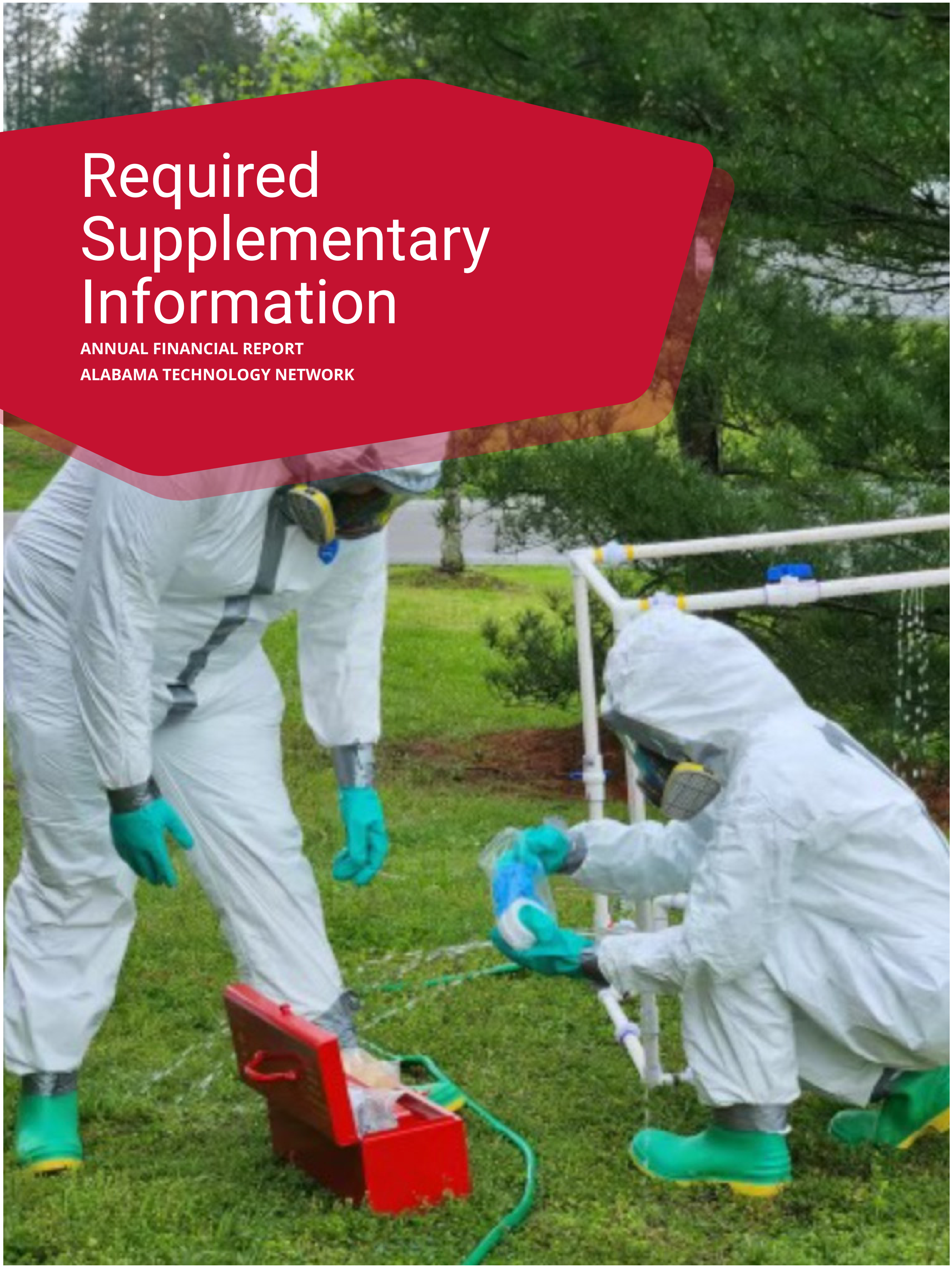
ALABAMA TECHNOLOGY NETWORK



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Schedule of the Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama
For the Year Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Network's Proportion of the Net Pension Liability	0.06531%	0.06636%	0.06876%	0.06448%	0.06195%	0.06932%	0.06779%	0.07027%	0.07254%	0.07616%
Network's Proportionate Share of the Net Pension Liability	$ 10,422	$ 10,313	$ 6,478	$ 7,976	$ 6,850	$ 6,892	$ 6,662	$ 7,607	$ 7,591	$ 6,919
Network's Covered Payroll	$ 5,341	$ 5,062	$ 4,941	$ 4,523	$ 4,370	$ 4,600	$ 4,450	$ 4,461	$ 4,569	$ 4,677
Network's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.00%	204.00%	131.00%	176.00%	157.00%	150.00%	150.00%	171.00%	166.00%	148.00%
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%

Notes to schedule:

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the September 30, 2024 year is October 1, 2022 through September 30, 2023.

Schedule of the Contributions Pension Teachers' Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 711	$ 659	$ 619	$ 602	$ 556	$ 538	$ 556	$ 530	$ 528	$ 518
Contributions in Relation to the Contractually Required Contribution	$ 711	$ 659	$ 619	$ 602	$ 556	$ 538	$ 556	$ 530	$ 528	$ 518
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Network's Covered Payroll	$ 5,776	$ 5,341	$ 5,062	$ 4,941	$ 4,523	$ 4,370	$ 4,600	$ 4,450	$ 4,461	$ 4,569
Contributions as a Percentage of Covered Payroll	12.31%	12.34%	12.23%	12.18%	12.29%	12.31%	12.09%	11.91%	11.84%	11.34%

Notes to Schedule

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the September 30, 2024 year is October 1, 2023 through September 30, 2024.

Note 2: The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contirbutions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

Notes to Required Supplementary Information for Pension Benefits

Note 1. Changes of Benefit Terms

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

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

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

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

Note 2. Changes of Assumptions

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

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

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

Note 3. Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated three years prior to the end of the fiscal year in which contributions are reported (September 30, 2020 for the fiscal year 2023 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.1 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75 percent
Salary Increase	3.25 percent to 5.00 percent, including inflation
Investment Rate of Return	7.70 percent, net of pension plan investment expense, including inflation

Schedule of the Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Employees' Health Care Trust
For the Year Ended September 30*

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Network's Proportion of the Net OPEB Liability	0.037002%	0.041267%	0.038692%	0.036170%	0.041969%	0.043351%	0.042058%
Network's Proportionate Share of the Net OPEB Liability	$ 711	$ 719	$ 1,999	$ 2,347	$ 1,583	$ 3,563	$ 3,124
Network'sCovered Payroll	$ 5,341	$ 5,062	$ 4,941	$ 4,523	$ 4,370	$ 4,600	$ 4,450
Network's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.31%	14.20%	40.46%	51.90%	36.22%	77.46%	70.20%
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%

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

Schedule of the Contribution Other Postemployment Benefits (OPEB)
Alabama Retired Employees' Health Care Trust
For the Year Ended September 30*

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 52	$ 57	$ 78	$ 67	$ 71	$ 118	$ 106
Contributions in Relation to the Contractually Required Contribution	$ 52	$ 57	$ 78	$ 67	$ 71	$ 118	$ 106
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Network's Covered Payroll	$ 5,341	$ 5,341	$ 5,062	$ 4,941	$ 4,523	$ 4,370	$ 4,600
Contributions as a Percentage of Covered Payroll	0.97%	1.07%	1.54%	1.36%	1.57%	2.70%	2.30%

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

Notes to Required Supplementary Information

Note 1. 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 or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Note 2. Recent Plan Changes

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 or participation, spouse coverage, and tobacco use were adjusted to reflect actual experience more closely.

Note 3. 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:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

Supplementary Information

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Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Commerce Direct Programs				
Manufacturing Extension Partnership	11.611	N/A	$ 450,000	$ 2,191,702
Manufacturing Extension Partnership	11.611	N/A	-	235,216
Total Manufacturing Extension Partnership			**450,000**	**2,426,918**
Total Expenditures of Federal Awards			**$ 450,000**	**$ 2,426,918**

(M) = Major Program

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

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Alabama Technology Network (the Network) under programs of the federal government for the year ended September 30, 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 Network, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Network.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

Alabama Technology Network

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Independent Auditor Reports

ANNUAL FINANCIAL REPORT

ALABAMA TECHNOLOGY NETWORK

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

Independent Auditor's Report

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

We have audited, in accordance with 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 (*Government Auditing Standards*), the financial statements of Alabama Technology Network (Network), a component unit of the State of Alabama, which comprise the Network's statement of net position as of September 30, 2024 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Forvis Mazars, LLP

Houston, Texas
January 17, 2025

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Report on Compliance for The Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Alabama Technology Network's (Network), a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Network's major federal program for the year ended September 30, 2024. The Network's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Network complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Alabama Community College System Board of Trustees
Alabama Technology Network

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Forvis Mazars, LLP

Houston, Texas
January 17, 2025

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

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

   ☑ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☑ None reported

   Material weakness(es) identified? ☐ Yes ☑ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☑ No

Federal Awards

4. Internal control over major federal awards programs:

   Significant deficiency(ies) identified? ☐ Yes ☑ None reported

   Material weakness(es) identified? ☐ Yes ☑ No

5. Type of auditor's report issued on compliance for major federal program(s):

   ☑ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☐ Yes ☑ No

7. Identification of major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
11.611	Manufacturing Extension Partnership

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

9. Auditee qualified as a low-risk auditee? ☑ Yes ☐ No

Section II – Financial Statement Findings

No matters reportable.

Section III – Federal Award Findings and Questioned Costs

No matters reportable.

Other Information

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ALABAMA TECHNOLOGY NETWORK

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Officials

Jimmy H. Baker
Chancellor

Keith Phillips
Executive Director

Jody Upchurch
Director of Finance and Accounting

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