Alabama Technology Network

A Component Unit of the State of Alabama

Independent Auditor’s Report
and Financial Statements

September 30, 2022

Alabama Technology Network
A Component Unit of the State of Alabama
September 30, 2022

Table of Contents

FORVIS

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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 Alabama Technology Network (Network), a component unit of the State of Alabama, as of and for the year ended September 30, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the Network adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, 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, LLP

Houston, Texas
January 17, 2023

Alabama Technology Network
A Component Unit of the State of Alabama
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2022

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, 2022. This document has been prepared by management of the Alabama Technology Network (ATN) 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

The 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.

The 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 noncurrent), deferred outflows of resources, liabilities (current and noncurrent), 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 nonexpendable 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.

Condensed Statement of Net Position

	FY 2022	FY 2021
Assets :		
Current Assets	$13,255,273	$11,889,620
Capital Assets, net	281,085	256,128
Total Assets	13,536,358	12,145,748
Deferred Outflows of Resources	3,206,753	2,952,841
Liabilities :		
Current Liabilities	794,235	767,886
Non-current Liabilities	821,497	682,570
Net Pension Liability	6,478,000	7,976,000
Net OPEB Liability	1,999,143	2,347,383
Total Liabilities	10,092,875	11,773,839
Deferred Inflows of Resources	4,211,387	2,549,133
Net Position:		
Net Investment in Capital Assets	122,536	256,128
Unrestricted	2,316,313	519,489
Total Net Position	$ 2,438,849	$ 775,617

Results of Operations

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 Revenue, 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 2022 was $4,092,025.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	FY 2022	FY 2021
Operating Revenues	$4,610,663	$4,367,652
Operating Expenses	8,702,688	8,556,529
Operating Loss	(4,092,025)	(4,188,877)
Non-operating revenues	5,755,257	5,452,323
Increase in Net Position	1,663,232	1,263,446
Net Position at Beginning of Year	775,617	(487,289)
Net Position at End of year	$ 2,438,849	$ 775,617

ATN's 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) 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 the 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.

Condensed Statement of Cash Flows

	FY 2022	FY 2021
Cash provided (used) by:		
Operating Activities	$ (4,266,733)	$ (4,641,433)
Non-capital Activities	5,745,195	5,448,518
Investing Activities	(65,995)	-
Capital and Related Financing Activities	10,062	3,805
Net Change in Cash	1,422,529	810,890
Cash, Beginning of Year	10,386,924	9,576,034
Cash, End of Year	$ 11,809,453	$ 10,386,924

The condensed statement presented above illustrates ATN's significant reliance upon State appropriations to meet its operating demands. Of the $5,745,195 in cash provided by non-capital financing activities, 100 percent is attributable to state appropriations.

Economic Outlook

Alabama Technology Network'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.

Financial Statements

Alabama Technology Network
A Component Unit of the State of Alabama
Statement of Net Position
September 30, 2022

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	11,809,453
Accounts Receivable (net of allowance for doubtful accounts)		1,445,820
Total Current Assets		**13,255,273**
Noncurrent Assets		
Capital and Lease assets		
Equipment & Furniture		2,873,867
Lease Assets		216,444
Less: Accumulated Depreciation and Amortization		(2,809,226)
Total Noncurrent Assets		**281,086**
TOTAL ASSETS		**13,536,359**
DEFERRED OUTFLOW OF RESOURCES		
Pension		2,168,464
Other Postemployment Benefit		1,038,289
Total Deferred Outflow of Resources		3,206,753
LIABILITIES		
Current Liabilities		
Deposits		266,179
Accounts payable and accrued liabilities		418,976
Compensated Absences		38,601
Leases Payable		70,479
Total Current Liabilities		**794,235**
Noncurrent Liabilities		
Compensated Absences		733,426
Leases Payable		88,070
Net Pension		6,478,000
Net Other Post Employment Benefit Liability		1,999,143
Total Noncurrent Liabilities		**9,298,640**
TOTAL LIABILITIES		**10,092,875**
DEFERRED INFLOW OF RESOURCES		
Pensions		2,225,000
Other Postemployment Benefit (OPEB)		1,986,387
Total Deferred Inflow of Resources		4,211,387
NET POSITION		
Net Investment in Capital Assets		122,536
Unrestricted		2,316,313
TOTAL NET POSITION	**$**	**2,438,849**

Alabama Technology Network
A Component Unit of the State of Alabama
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2022

Operating Revenues		
Fees for service	$	2,095,128
Other operating revenues		239,145
State grants and contracts		170,289
Federal grants and contracts		2,106,100
Total Operating Revenues	**$**	**4,610,663**
Operating Expenses		
Instruction		6,984,165
Institutional Support		1,518,936
Depreciation		199,587
Total Operating Expenses	**$**	**8,702,688**
Operating Loss	**$**	**(4,092,025)**
Non-operating Revenues		
State appropriations		5,745,195
Investment income		10,062
Total Non-operating Revenues	**$**	**5,755,257**
Net Increase in Net Position	**$**	**1,663,232**
Net position, Beginning of Year		775,617
Net Position, End of Year	**$**	**2,438,849**

Alabama Technology Network
A Component Unit of the State of Alabama
Statement of Cash Flows
Year Ended September 30, 2022

Cash Flows from Operating Activities		
Fees for Services	$	1,889,340
Grants and Contracts		2,510,311
Payments to Suppliers		(2,310,161)
Payments for Employees		(5,040,380)
Payments for Benefits		(1,538,444)
Other Receipts		222,600
Net Cash Used in Operating Activities		**(4,266,734)**
Cash Flows from Noncapital Financing Activities		
State Appropriations		5,745,195
Net Cash Provided by Noncapital Financing Activities		**5,745,195**
Cash Flows from Capital and Related Financing Activities		
Purchases of Capital Assets and Construction		(8,100)
Principal Paid on Leases		(57,895)
Net Cash Used in Capital and Related Financing Activities		**(65,995)**
Cash Flows from Investing Activities		
Investment Income		10,062
Net Cash Provided by Investing Activities		**10,062**
Net Increase in Cash and Cash Equivalents		**1,422,529**
Cash and Cash Equivalents, Beginning of the Year		10,386,924
Cash and Cash Equivalents, End of Year	**$**	**11,809,453**
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$	(4,092,025)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation and Amortization Expense		199,587
Changes in Assets and Liabilities:		
Receivables (Net)		56,876
Deferred Outflows of Resources		(253,912)
Accounts Payable		(125,501)
Deposits Held for Others		78,695
Compensated Absences		53,533
Pension Liability		(1,498,000)
OPEB Liability		(348,240)
Deferred Inflows of Resources		1,662,254
Net Cash Used in Operating Activities	**$**	**(4,266,734)**

Alabama Technology Network
A Component Unit of the State of Alabama
Notes to Financial Statements
September 30, 2022

Note 1: Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The financial statements of Alabama Technology Network (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.

A. 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 Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the 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.

B. Measurement Focus, Basis of Accounting and 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 nonoperating 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. Nonoperating revenues arise from exchange transactions not associated with the Network's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

C. Use of 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, liabilities and deferred inflows and outflows 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.

D. New Accounting Pronouncements

The Network implemented GASB Statement No. 87, Leases, which provided guidance regarding lease accounting. It establishes a single model for lease accounting based on the foundational principle that a lease is financing of the right to use an underlying asset. It requires the Network to recognize lease liabilities and the intangible right-to-use lease assets as lessee, and lease receivables and deferred inflow of resources as lessor. At implementation on October 1, 2021, the Network, as lessee, recognized a lease liability of $178,586 along with corresponding right-to-use leased equipment of $61,265 and right-to-use leased building of $117,321.

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

1. Deposits and Investments

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

2. 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.

3. Capital Assets

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

Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

Assets	Depreciation Method	Useful Lives
Equipment	Composite	5 – 10 years

4. Lease Assets

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.

5. Capital and Lease 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, 2022.

6. Deferred Outflows of Resources

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

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

Compensated absence liabilities are computed using the regular pay rates in effect at 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.

8. Deferred Inflows of Resources

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

9. Cost-Sharing Defined Benefit Pension Plan

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

10. Cost-sharing Defined Benefit Other Postemployment Benefit Plan (OPEB)

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

11. 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.

- Restricted nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the Network.

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

12. Federal Financial Assistance Programs

The 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).

Note 2: Deposits

Custodial Credit Risk

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.

Therefore, no deposits are subject to custodial risk.

Note 3: Receivables

Receivables are reported and summarized as follows:

Accounts Receivable		
Federal Grants and Contracts	$	447,670
State Grants and Contracts		39,500
Less Allowance for Uncollectible Accounts		(12,495)
Private		971,145
Total Accounts Receivables	$	1,445,820

Note 4: Capital and Lease Assets

Capital and lease assets activity for the year ended September 30, 2022 was as follows:

	Beginning Balance (Restated)	Additions	Deductions	Ending Balance
Furniture and Equipment	$ 3,020,367	$ 8,100	$ (154,600)	$ 2,873,867
Lease Assets	178,586	37,858	-	216,444
Total	$ 3,198,953	$ 45,958	$ (154,600)	$ 3,090,311
Less Accumulated Depreciation and Amortization				
Furniture and Equipment	$ 2,764,239	$ 139,508	$ (154,600)	$ 2,749,147
Lease Assets	-	60,079	-	60,079
Total Accumulated Depreciation and Amortization	2,764,239	199,587	(154,600)	2,809,226
Capital and Lease Assets, Net	$ 434,714	$ 245,545	$ 0	$ 281,085

Alabama Technology Network
A Component Unit of the State of Alabama
Notes to Financial Statements
September 30, 2022

Lease assets activity for the year ended September 30, 2022, was as follows:

	Balance as of October 1, 2021	Additions	Reductions	Balance as of September 30, 2022
Lease Assets				
Buildings				
206 Third Street SW, Cullman	117,321	-		117,321
Total Building Lease Assets	117,321	-	-	117,321
Equipment				
Ricoh Copier - Gadsden, Etowah	13,856	-		13,856
Xerox Copier - Montgomery	10,356	-		10,356
Xerox Copier - STE 441	5,672	-		5,672
Xerox Copier - Rainsville	4,800	-		4,800
Xerox Copier - Opelika	7,012	-		7,012
Xerox Copier - Sumiton	9,909	-		9,909
Xerox - Birmingham	0	8,894		8,894
Xerox - Mobile	9,659	-		9,659
RJ Young - Cullman	0	28,964		28,964
Total Equipment Lease Assets	61,265	37,858	-	99,123
Total Lease Assets	178,586	37,858	0	216,444
Lease Accumulated Amortization				
Buildings				
206 Third Street SW, Cullman	-	39,107		39,107
Total Building Lease Accumulated Amortization	-	39,107	-	39,107
Equipment				
Ricoh Copier - Gadsden, Etowah	-	3,882		3,882
Xerox Copier - Montgomery	-	2,861		2,861
Xerox Copier - STE 441	-	3,299		3,299
Xerox Copier - Rainsville	-	2,743		2,743
Xerox Copier - Opelika	-	2,537		2,537
Xerox Copier - Sumiton	-	2,202		2,202
Xerox - Birmingham	-	741		741
Xerox - Mobile	-	1,440		1,440
RJ Young - Cullman	-	1,267		1,267
Total Equipment Lease Accumulated Amortization	-	20,972	-	20,972
Total Lease Accumulated Amortization	-	60,079	-	60,079
Total Business-Type Lease Assets, Net	178,586	(22,221)	0	156,365

Note 5: Long-term Liabilities

Long-term liabilities activity for the year ended September 30, 2022, was as follows:

	Beginning Balance (restated)	Additions	Reductions	Ending Balance
Leases Payable	$ 178,586	$ 37,858	$ 57,895	$ 158,549
Compensated Absences	718,495	80,236	26,703	772,028
	$ 897,081	$ 118,094	$ 84,598	$ 930,577

Note 6: Lease Liabilities

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On January 13, 2016, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of 206 Third Street SW, Cullman. An initial lease liability was recorded in the amount of $117,321. As of September 30, 2022, the value of the lease liability is $78,494. Alabama Technology Network is required to make monthly fixed payments of $3,300. The lease has an interest rate of 0.8610 percent. The Building's estimated useful life was 50 years as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $117,321 with accumulated amortization of $39,107 is included with Buildings on the Lease Class activities table found below. Alabama Technology Network had a termination period of 3 months as of the lease commencement.

On March 10, 2021, Alabama Technology Network, AL entered into a 48 month lease as lessee for the use of Ricoh Copier - Gadsden, Etowah. An initial lease liability was recorded in the amount of $13,856. As of September 30, 2022, the value of the lease liability is $10,013. Alabama Technology Network is required to make monthly fixed payments of $325. The lease has an interest rate of 0.4910 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $13,856 with accumulated amortization of $3,882 is included with Equipment on the Lease Class activities table found below. Alabama Technology Network has the option to purchase the Equipment for $1.00. This option is not reasonably certain to be exercised at the date the lease liability was recorded.

On December 1, 2021, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox Copier - Montgomery. An initial lease liability was recorded in the amount of $10,356. As of September 30, 2022, the value of the lease liability is $8,003. Alabama Technology

Network is required to make monthly fixed payments of $298. The lease has an interest rate of 0.4080 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $10,356 with accumulated amortization of $2,861 is included with Equipment on the Lease Class activities table found below.

On May 14, 2020, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox Copier - STE 441. An initial lease liability was recorded in the amount of $5,672. As of September 30, 2022, the value of the lease liability is $2,560. Alabama Technology Network is required to make monthly fixed payments of $285. The lease has an interest rate of 0.6080 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $5,672 with accumulated amortization of $3,299 is included with Equipment on the Lease Class activities table found below.

On May 21, 2020, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox Copier - Rainsville. An initial lease liability was recorded in the amount of $4,800. As of September 30, 2022, the value of the lease liability is $2,062. Alabama Technology Network is required to make monthly fixed payments of $230. The lease has an interest rate of 0.6080 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $4,800 with accumulated amortization of $2,742 is included with Equipment on the Lease Class activities table found below.

On May 18, 2021, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox Copier - Opelika. An initial lease liability was recorded in the amount of $7,012. As of September 30, 2022, the value of the lease liability is $4,693. Alabama Technology Network is required to make monthly fixed payments of $215. The lease has an interest rate of 0.8610 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $7,012.11 with accumulated amortization of $2,537 is included with Equipment on the Lease Class activities table found below.

On August 5, 2021, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox Copier - Sumiton. An initial lease liability was recorded in the amount of $9,909. As of September 30, 2022, the value of the lease liability is $7,938. Alabama Technology Network is required to make monthly fixed payments of $285. The lease has an interest rate of 0.4760 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $9,909 with accumulated amortization of $2,202 is included with Equipment on the Lease Class activities table found below.

On October 21, 2021, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox - Birmingham. An initial lease liability was recorded in the amount of $8,894. As of September 30, 2022, the value of the lease liability is $8,406. Alabama Technology Network is required to make monthly fixed payments of $263. The lease has an interest rate of 2.3540 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $8,894 with accumulated amortization of $741 is included with Equipment on the Lease Class activities table found below.

On December 27, 2021, Alabama Technology Network, AL entered into a 36 month lease as lessee for the use of Xerox - Mobile. An initial lease liability was recorded in the amount of $9,659. As of September 30, 2022, the value of the lease liability is $8,591. Alabama Technology Network is required to make monthly fixed payments of $285. The lease has an interest rate of 2.1450 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $9,659 with accumulated amortization of $1,440 is included with Equipment on the Lease Class activities table found below.

On July 21, 2022, Alabama Technology Network, AL entered into a 48 month lease as lessee for the use of RJ Young - Cullman. An initial lease liability was recorded in the amount of $28,964. As of September 30, 2022, the value of the lease liability is $27,789. Alabama Technology Network is required to make monthly fixed payments of $647. The lease has an interest rate of 2.4450 percent. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of September 30, 2022, of $28,964 with accumulated amortization of $1,267 is included with Equipment on the Lease Class activities table found below:

Amount of Lease Assets by Major Classes of Underlying Asset

	As of September 30, 2022	
Asset Class	Lease Asset Value	Accumulated Amortization
Equipment	$ 99,123	$ 20,972
Building	117,321	39,107
Total Leases	$ 216,444	$ 60,079

Principal and Interest Requirements to Maturity

Fiscal Year	Principal	Interest	Total
2023	$ 70,479	$ 1,575	$ 72,054
2024	66,153	837	66,990
2025	16,155	282	16,437
2026	5,762	58	5,821
Total	$ 158,549	$ 2,752	$ 161,302

Note 7: Pension Plans

Cost-sharing Defined Benefit Plan

Plan Description

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

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125 percent 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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65 percent of their average final compensation (highest 5 of the last 10 years) for each year of service. 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 are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Actuarial Assumptions

The total pension liability in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the September 30, 2020, valuation were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020.

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 percent beginning with year 2019.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Contributions

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

Tier 2 covered members of the TRS contribute 6 percent of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7 percent of earnable compensation until September 30, 2021. Effective October 1, 2021, Tier 2 covered members were required by statute to contribute 6.2 percent of earnable compensation. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7.2 percent of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36 percent of annual pay for Tier 1 members and 11.22 percent of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2022, total employer contributions to the pension plan from the Network were $619,000.

Pension Liabilities

At September 30, 2022, the Network reported a liability of $6,478,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2020. The Network's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the Network's proportion was 0.068764 percent, which was an increase of 0.004284 percent from its proportion measured as of September 30, 2020.

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 percent, 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 percent) or 1-percentage-point higher (8.45 percent) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increases (8.45%
Network's proportionate share of collective net pension liability	$ 9,535	$ 6,478	$ 3,903
(Dollar amounts in thousands)			

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the Network recognized pension expense of $464,000. At September 30, 2022, the Network reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 300,000	$ 377,000
Changes of assumptions	680,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,529,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	569,000	319,000
Employer contributions subsequent to the measurement date	619,464	-
Total	$ 2,168,464	$ 2,225,000

The $619,464 reported as deferred outflows of resources related to pensions resulting from Network pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

2023	$ (88,000)
2024	(89,000)
2025	(132,000)
2026	(367,000)

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, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. 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 8: Other Postemployment Benefit Plan

Cost-sharing Defined Benefit OPEB Plan

Plan Description

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

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

held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

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 retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this Plan, and the Plan covers most out-of-pocket expenses not covered by the primary plan. The Plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

Actuarial Assumptions

The total OPEB liability in the September 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary Increase[1]	3.25% -5.00%
Long-term Investment rate of return[2]	7.00%
Municipal Bond Index Rate at Measurement Date	2.29%
Municipal Bond Index Rate at Prior Measurement	2.25%
Projected Year for Fiduciary Net Position (FNP)	2051
Single Equivalent Interest Rate at Measurement Date	3.97%
Single Equivalent Interest Rate at Prior	3.05%
Healthcare cost trend rates	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.50% in 2025

[1] Includes 2.75% wage inflation

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

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

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 percent to the table beginning in 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward(+)/ Setback (-)	Adjustment to Rates
Active members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63 -67 Female: 112% ages < 69, 98% > age 74, Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None
Beneficiaries	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 TRS Board on September 13, 2021.

The remaining actuarial assumptions (*e.g.*, initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020, 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 Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

	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%
	100.00%	

*Geometric mean includes inflation of 2.50%.

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 3.97 percent. 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, 12.990 percent of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990 percent will increase at the same rate as expected benefit payments for the closed group reaching 20.00 percent. It is assumed the $800 rate will increase with inflation at 2.50 percent starting in 2024. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

Contributions

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

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

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

For the year ended September 30, 2022, total employer contributions to the Plan from the Network was approximately $78,116.

OPEB Liabilities

At September 30, 2022, the Network reported a liability of $1,999,143 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the Network's proportion was 0.038692 percent, which was an increase of 0.002522 percent from its proportion measured as of September 30, 2020.

Sensitivity of the Network's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care 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 (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Network's net OPEB liability	$ 1,568,673	$ 1,999,143	$ 2,553,763

The following table presents the Network's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 3.97 percent, 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 (2.97%)	Current Discount Rate (3.97%) (Amount in Thousands)	1% Increase (4.97%)
Network's net OPEB liability	$ 2,459,035	$ 1,999,143	$ 1,630,260

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

For the year ended September 30, 2022, the Network recognized OPEB income of $($203,943) with no special funding situations. At September 30, 2022, the Network reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,300	$ 695,506
Changes of assumptions	711,976	774,885
Net difference between projected and actual earnings on OPEB plan investments	-	62,360
Changes in proportion and differences between Employer contributions and proportionate share of contributions	200,897	453,636
Employer contributions subsequent to the measurement date	78,116	-
Total	$ 1,038,289	$ 1,986,387

The $78,116 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, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at September 30, 2022, will be recognized in OPEB expense as follows.

	Year ended September 30:
2023	$ (371,912)
2024	(280,068)
2025	(293,536)
2026	(38,009)
2027	(5,360)
Thereafter	(37,329)

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, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 9: 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 which 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.

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

Required Supplementary Information

Alabama Technology Network
A Component Unit of the State of Alabama
Schedule of the Network's Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama
(*Dollar amounts in thousands*)
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022
Network's proportion of the net pension liability	0.076160%	0.072537%	0.070266%	0.067785%	0.069316%	0.061948%	0.064480%	0.068764%
Network's proportionate share of the net pension liability	$ 6,919	$ 7,591	$ 7,607	$ 6,662	$ 6,892	$ 6,850	$ 7,976	$ 6,478
Network's covered payroll	$ 4,677	$ 4,569	$ 4,461	$ 4,450	$ 4,600	$ 4,370	$ 4,523	$ 4,941
Network's proportionate share of the net pension liability as a percentage of its covered payroll	148%	166%	171%	150%	150%	157%	176%	131%
Plan fiduciary net position as a percentage of the total pension liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%

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

Alabama Technology Network
A Component Unit of the State of Alabama
Schedule of Network Pension Contributions
Teachers' Retirement System of Alabama
(*Dollar amounts in thousands*)
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually Required Contribution	$ 518	$ 528	$ 530	$ 556	$ 538	$ 556	$ 602	$ 619
Contributions in relation to the contractually required contribution	518	528	530	556	538	556	602	619
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Network's covered payroll	$ 4,569	$ 4,461	$ 4,450	$ 4,600	$ 4,370	$ 4,523	$ 4,941	$ 5,062
Contributions as a percentage of covered payroll	11.34%	11.84%	11.91%	12.09%	12.31%	12.29%	12.18%	12.23%

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

Notes to schedule:

A: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2022 year is 10/1/2021 - 9/30/2022.

B: 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.

Alabama Technology Network
A Component Unit of the State of Alabama
Schedule of the Network's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
(*Dollar amounts in thousands*)
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022
Network's proportion of the net OPEB liability (asset)	0.042058%	0.043351%	0.041969%	0.036170%	0.038692%
Network's proportionate share of the net OPEB liability (asset)	$ 3,124	$ 3,563	$ 1,583	$ 2,347	$ 1,999
Network's covered payroll	$ 4,450	$ 4,600	$ 4,370	$ 4,523	$ 4,941
Network's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	70.20%	77.46%	36.22%	51.90%	40.46%
Plan fiduciary net position as a percentage of the total OPEB liability	15.37%	14.81%	28.14%	19.80%	27.11%

* The amounts presented for each fiscal year were determined as of 9/30.

Notes to schedule:

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

A: Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the 9/30/2022 year is 10/1/2020 - 9/30/2021.

Alabama Technology Network
A Component Unit of the State of Alabama
Schedule of Network OPEB Contributions
Alabama Retired Education Employees' Health Care Trust
(*Dollar amounts in thousands*)
Last 10 Fiscal Years*

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	2018	2019	2020	2021	2022
Contractually Required Contribution	$ 106	$ 118	$ 71	$ 67	$ 78
Contributions in relation to the contractually required contribution	106	118	71	67	78
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Network's covered payroll	$ 4,600	$ 4,370	$ 4,523	$ 4,941	$ 5,062
Contributions as a percentage of covered payroll	2.30%	2.70%	1.57%	1.36%	1.54%

Changes in actuarial assumptions

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below:

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below.

Assumption	Description
Price inflation	2.50%
Investment Return	7.00%
Wage inflation	2.75%
Mortality Rates (pre-Retirement, Post-Retirement, Healthy and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019.
Retirement Rates	Deceased rates of retirement at most ages and extended retirement rates at age 80.
Withdrawal Rates	Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates.

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

Recent Plan changes

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

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

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

Alabama Technology Network
A Component Unit of the State of Alabama
Notes to Required Supplementary Information (Continued)
Year Ended September 30, 2022

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, 2018, 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:

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calcula
reported. The following actuarial methods and assumptions were used to determine the most re

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	23 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%