George C. Wallace Community College

FINANCIAL STATEMENTS

September 30, 2023

George C. Wallace Community College
College Officials
As of September 30, 2023

George C. Wallace Community College
College Officials
As of September 30, 2023

Chancellor of Alabama Community College System

Jimmy Baker

President

Dr. Linda C. Young

Dean of Business Affairs

Marc Nicholas

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INDEPENDENT AUDITORS' REPORT

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Linda C. Young, President – George C. Wallace Community College
Dothan, Alabama 36303

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of George C. Wallace Community College (the "College"), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of September 30, 2023, and George C. Wallace Community College Foundation, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of George C. Wallace Community College Foundation, a discretely presented component unit, which represents 100 percent of the total assets and total net assets of the component unit as of December 31, 2022, and the respective changes in financial position thereof for the year then ended. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for George C. Wallace Community College Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

Reporting Entity

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

Change in Accounting Principle

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

Changes in Accounting Estimates

As described in Note 1 to the financial statements, in 2023, the College reevaluated the accounting estimate for Allowance for Doubtful Accounts. The change in estimate is in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, in 2023, the College reevaluated the accounting estimate for Allowance for Unearned Revenue. The change in estimate is in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in Note 7 to the financial statements, the College had certain prior period adjustments, which results in an effect of $(32,274) on the September 30, 2022 net position. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 – 11, schedules of the employer's proportionate share of the net pension liability and OPEB and schedules of employer's contributions, on pages 45 – 50, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
January 16, 2024

George C. Wallace Community College (the "College") is a public, comprehensive community college dedicated to meeting the changing needs of citizens in the Southeast Alabama service area. By offering a broad spectrum of programs, the College provides students with opportunities for educational, personal, and professional advancement. A wide range of academic courses prepares students to transfer to four-year colleges. Technical programs equip students to master certain skills as well as prepare them to be contributing members of the workforce. Workforce Development courses, programs, and services prepare students for college entry, provide customized training for business and industry and offer special interest education.

The College received an unmodified opinion upon examination of the 2021-2022 fiscal records by Carr, Riggs & Ingram, CPAs and Advisors. Presented in this document are the financial statements for fiscal year 2022-2023. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

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

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fair presentation of the fiscal condition of George C. Wallace Community College. 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 minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets that are available to continue the operations of the College. They are also able to determine the amount of outstanding debt owed to vendors, investors and lending institutions.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, Net of Debt and Depreciation, provides the College's equity in property, plant and equipment owned by the College. The next category is Restricted, which is available for expenditures by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use. The final category is Unrestricted, which are those resources available to the College for any appropriate purpose.

Statement of Net Position

As of September 30,	**2023**	2022
Assets		
Current assets	**42,344,293**	42,414,426
Capital assets, net	**39,066,344**	38,084,292
Noncurrent assets	**112,858**	110,227
Total Assets	**81,523,495**	80,608,945
Deferred Outflows of Resources	**17,491,384**	10,768,903
Liabilities		
Current liabilities	**6,362,206**	5,901,467
Noncurrent liabilities	**45,837,815**	39,113,288
Total Liabilities	**52,200,021**	45,014,755
Deferred Inflows of Resources	**16,054,630**	17,166,477
Net Position		
Invested in capital assets, net of debt	**33,869,299**	32,211,915
Restricted	**850,633**	1,524,981
Unrestricted (deficit)	**(3,959,704)**	(4,540,280)
Total Net Position	**30,760,228**	29,196,616

Capital Assets are comprised of those assets with an acquisition cost of $5,000 or more. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the College to better serve the instructional and public service missions of the College.

For fiscal year 2022-2023, the College's net position totaled $30,760,228. This figure is comprised of net investment in capital assets, restricted net position, and unrestricted net position. Net position continues to be impacted by the implementation of GASB 68 to account for the College's imputed portion of unfunded pension liability of the Teachers' Retirement System. This year, that imputed liability increased by $13,497,000 bringing the total to $37,058,000. Net position was also impacted by the continued implementation of GASB 75 to account for the College's imputed portion of unfunded OPEB liability. This year, that liability totaled $3,504,544.

Statement of Revenues, Expenses and Changes in Net Position

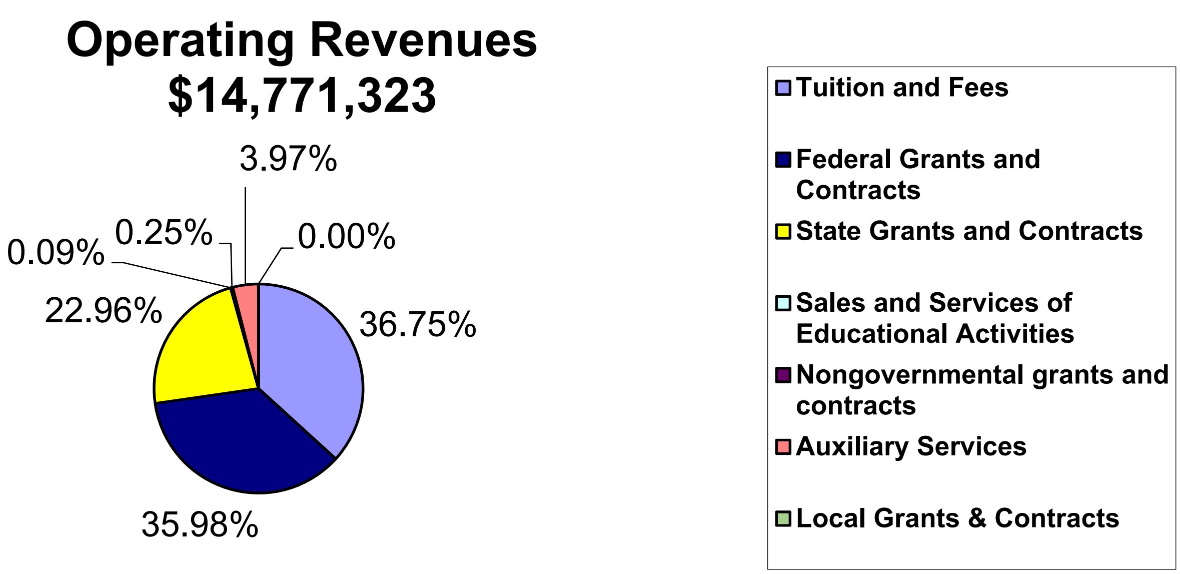
Changes in total net position, as presented on the Statement of Net Position, are based on the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the College, the operating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

In general terms, operating revenues are collected and used for providing goods and services to various customers and constituencies of the College. Operating expenses are the funds paid to acquire or produce the goods and services provided in exchange for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. State appropriations are considered nonoperating revenues because they are provided to the College by the State of Alabama Legislature, without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position

For the years ended September 30,	**2023**	2022
Operating revenues	**14,771,323**	18,850,191
Operating expenses	**43,773,361**	50,409,699
Operating loss	**(29,002,038)**	(31,559,508)
Nonoperating revenues and expenses	**30,597,924**	35,480,218
Increase in net position	**1,595,886**	3,920,710
Net position at beginning of year	**29,196,616**	25,065,685
Restatements	**(32,274)**	210,221
Net position at end of year	**30,760,228**	29,196,616

The following chart displays the operating revenues by type and their relationship to the total operation of the College.



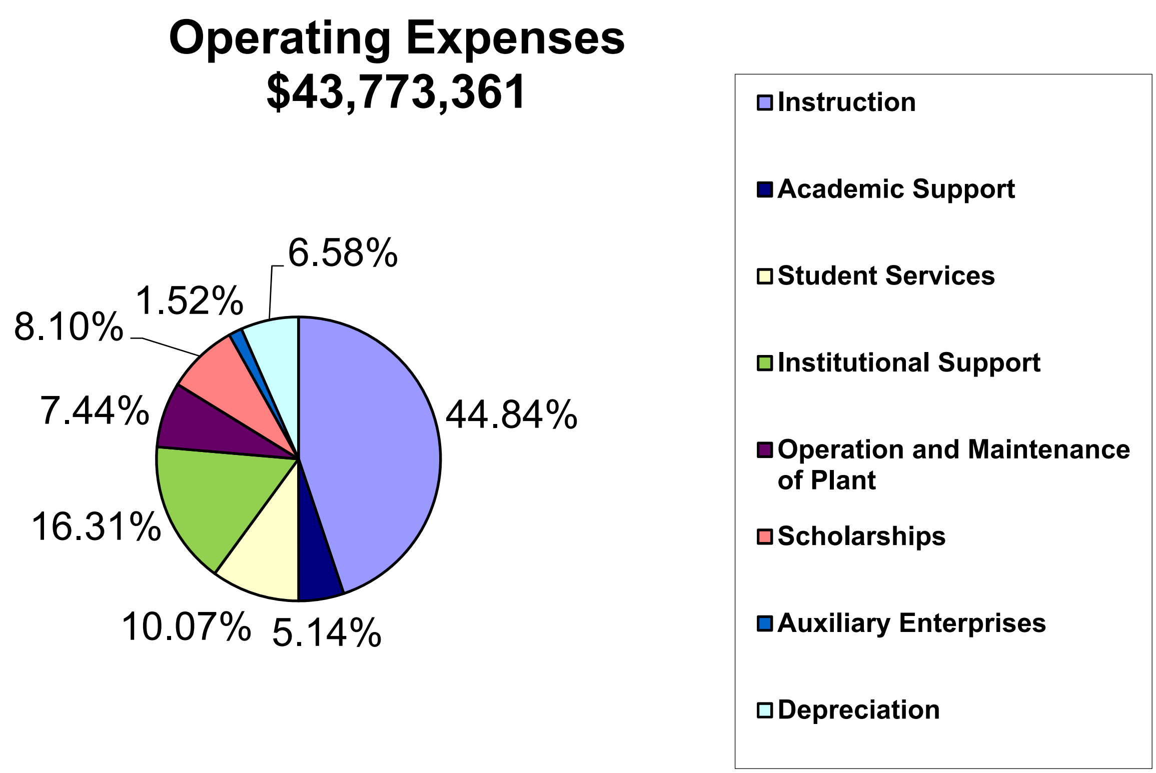
Tuition and Fees represent the largest revenue source followed by federal and state grants and contracts. The College tuition rate decreased to $127 per credit hour for fall semester 2023, so there was an increase $2 per credit hour increase over the previous fall semester and a decrease of $10 because of the exclusion of the enhancement fee. The sum of all other types of revenue represents about 27% of the total operating revenue.

Sales and Services of Educational Activities revenues represent revenues generated by work orders performed by students in the course of their normal instructional programs.

Auxiliary Services revenue represent revenues generated by the Bookstore, Food Services, Vending and Farm Activities. The auxiliary services are generally self-supporting functions.

Within the nonoperating revenues, the College received contributions totaling $19,856,556 for state appropriations, $9,687,160 in Pell Grant Revenues, interest income of $825,895, endowment income of $27,503, and other nonoperating income of $253,213. Noncash gifts/revenue totaled $174,042.

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



As reflected in the previous chart, operating expenses are divided into functional areas defined by the Alabama Community College System Fiscal Procedures. Instructional expenses represent the largest single functional area expense. Institutional Support, Student Services, Scholarships, Operation and Maintenance of Plant, and Academic Support, represent, in declining order, the next largest group of functional area expenses. Depreciation represents approximately seven percent and Auxiliary Enterprises represents approximately two percent of the total college operating expenses. Of the $2,324,824 decrease in change in net position from fiscal year 22 to fiscal year 23 experienced, $3,126,167 was related to the decrease in federal grants and contracts.

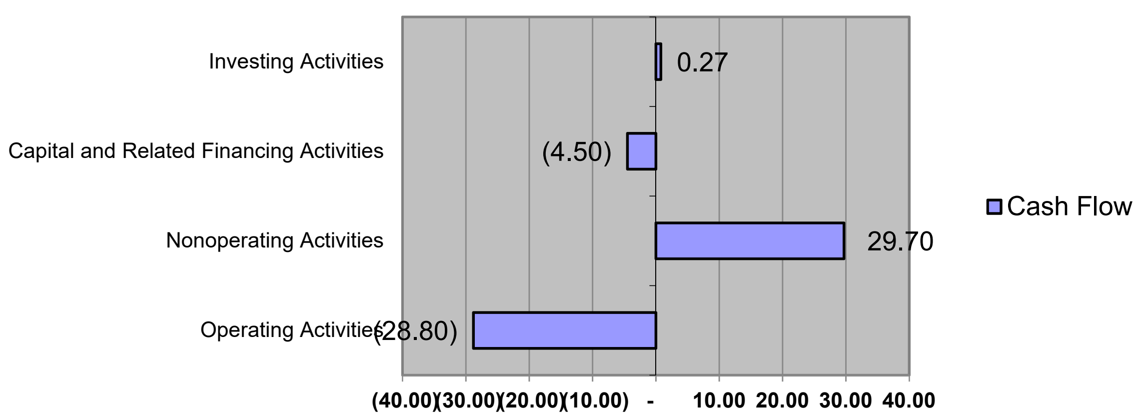
Statement of Cash Flows

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

Statement of Cash Flows

For the years ended September 30,	**2023**	2022
Cash provided (used) by:		
Operating activities	**(28,798,637)**	(25,085,057)
Nonoperating activities	**29,717,464**	35,591,209
Capital and related financing activities	**(4,542,384)**	(3,917,308)
Investing Activities	**265,114**	19,171
Net change in cash	**(3,358,443)**	6,608,015
Cash, beginning of year	**17,741,536**	11,133,521
Cash, end of year	**14,383,093**	17,741,536

The following chart visually depicts the cash flow figures used to generate the net change in cash for the year 2022-2023.



Economic Outlook

The economic forecast for the 2023-2024 fiscal year predicts slow economic growth and a low unemployment rate. The College's fall 2022 credit hour production remained almost flat compared to fall 2021. Alabama's unemployment rate for September, 2021 was 3.1% indicating that jobs are plentiful. Traditionally, a low unemployment rate leads to lower enrollment numbers. State funding to the college remained relatively the same for 2022-2023 as for fiscal year 2021-2022. There is anticipated growth in the Special Education Trust Fund but due to the Rolling Reserve Act, no additional funding will come to the college until the percentage of growth is greater than the 15 year average. The increase will go into the Rainy Day fund and the Capital Outlay fund for the state. The recognition of the PEEHIP unfunded liability and the OPEB liability will continue to be a threat to the college's reserves. It is anticipated to reduce the fund balance by $35 million. In areas that are under the College's control, the financial position remains strong. The College will continue to monitor revenues and expenses and make adjustments where necessary.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the George C. Wallace Community College Foundation (the "Foundation") is reported as a discretely presented component unit of the College's financial statements in a separate column in the Statement of Net Position to emphasize that it is legally separate from the College. Complete financial statements for the Foundation may be obtained from the Foundation's auditors, Carpenter, Wiggins, Jordan, Thomas & Scarborough, P.C., 2389 West Main Street, Dothan, Alabama 36301.

George C. Wallace Community College
Statement of Net Position

	Primary Government	George C. Wallace Community College Foundation
	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 14,383,093	$ 226,956
Short-term investments	19,685,862	9,078,313
Accounts receivable, net	8,214,478	-
Inventories	53,403	-
Other current assets	7,457	-
Total current assets	42,344,293	9,305,269
Noncurrent assets		
Endowment investments	112,858	-
Capital assets, not being depreciated	2,221,202	-
Capital assets, net of accumulated depreciation	36,794,716	-
Right-to-use lease assets, net of accumulated amortization	38,863	-
Right-to-use subscription assets, net of accumulated amortization	11,563	-
Total noncurrent assets	39,179,202	-
Total assets	81,523,495	9,305,269
Deferred Outflows of Resources		
Deferred outflows related to pension	12,736,000	-
Deferred outflows related to OPEB	4,755,384	-
Total deferred outflows of resources	17,491,384	-
Liabilities		
Current liabilities		
Deposits held for others	219,897	-
Accounts payable and accrued liabilities	1,778,942	-
Bond fee surety payable	11,642	-
Unearned revenue	3,573,108	-
Compensated absences	68,650	-
Lease liabilities, due in one year	23,285	-
Subscription liabilities, due in one year	5,682	-
Bonds payable, due in one year	681,000	-
Total current liabilities	6,362,206	-
Noncurrent liabilities		
Compensated absences	788,403	-
Lease liabilities	15,035	-
Subscription liabilities	5,833	-
Bonds payable	4,466,000	-
Net pension liability	37,058,000	-
Net OPEB liability	3,504,544	-
Total noncurrent liabilities	45,837,815	-
Total liabilities	52,200,021	-

-Continued-

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

Deferred Inflows of Resources		
Deferred inflows related to pension	2,536,000	-
Deferred inflows related to OPEB	13,518,630	-
Total deferred inflows of resources	16,054,630	-
Net Position		
Net investment in capital assets	33,869,299	-
Restricted for		
Scholarships and fellowships	173,420	-
Other	677,213	-
Donor restrictions	-	6,996,993
Unrestricted (deficit)	(3,959,704)	2,308,276
Total net position	$ 30,760,228	$ 9,305,269

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

George C. Wallace Community College
Statement of Revenues, Expenses and Changes in Net Position

For the year ended	Primary Government September 30, 2023	George C. Wallace Community College Foundation December 31, 2022
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $9,061,400)	$ 5,428,425	$ -
Federal grants and contracts	5,314,304	-
State and local grants and contracts	3,391,315	-
Nongovernmental grants and contracts	37,367	-
Sales and services of educational departments	13,061	-
Auxillary enterprises:		
Bookstore	544,297	-
Vending	33,904	-
Farm activities	8,650	-
Contributions	-	618,467
Special events	-	166,189
Total operating revenues	14,771,323	784,656
Operating Expenses		
Instruction	19,628,654	-
Institutional support	7,137,598	-
Academic support	2,250,560	-
Student services	4,407,450	-
Operation and maintenance	3,258,296	37,122
Scholarships and financial aid	3,543,763	213,887
Advancement	-	10,080
Depreciation and amortization	2,882,381	-
Auxillary enterprises: Bookstore	664,659	-
Other operating expense	-	73,427
Total operating expenses	43,773,361	334,516
Operating income (loss)	(29,002,038)	450,140
Nonoperating Revenues (Expenses)		
State appropriations	19,856,556	-
Federal grants	9,687,160	-
Endowment income	27,503	-
Investment income	825,895	(1,525,536)
Interest expense	(144,205)	-
Bond surety fee expense	(78,795)	-
Unrealized loss on investments	(3,445)	-
Noncash gifts	174,042	-
Other nonoperating revenues (expenses)	253,213	382
Total nonoperating revenues (expenses)	30,597,924	(1,525,154)
Change in net position and net assets	1,595,886	(1,075,014)
Net position, beginning of year	29,196,616	10,380,283
Prior Period Adjustment - see note 7	(32,274)	-
Net position, beginning of year (as restated)	29,164,342	10,380,283
Net position, end of year	$ 30,760,228	$ 9,305,269

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

George C. Wallace Community College
Statement of Cash Flows

For the year ended September 30, 2023

Operating Activities	
Cash received for tuition and fees	$ 5,570,310
Cash received for grants and contracts	5,727,469
Cash payments to suppliers for goods and services	(9,297,500)
Cash payments for utilities	(997,666)
Cash payments to employees	(20,418,992)
Cash payments for employee benefits	(6,432,070)
Cash payments for scholarships	(3,543,763)
Cash received from auxiliary enterprise charges:	
Bookstore	544,297
Vending	33,904
Farm activities	8,650
Other receipts	6,724
Net cash provided by (used in) operating activities	(28,798,637)
Noncapital Financing Activities	
Cash received from state appropriations	19,856,556
Cash received from federal grants	9,687,160
Cash payments for bond surety fees	(79,465)
Cash received from other noncapital financing	253,213
Net cash provided by (used in) noncapital financing activities	29,717,464
Capital and Related Financing Activities	
Purchases of capital assets	(3,701,371)
Principal paid on capital debt and leases	(696,808)
Interest paid on capital debt and leases	(144,205)
Net cash provided by (used in) capital and related financing activities	(4,542,384)
Investing Activities	
Proceeds from sales and maturities of investments	2,744,548
Investment income	849,953
Purchase of investments	(3,329,387)
Net cash provided by (used in) investing activities	265,114
Net increase (decrease) in cash and cash equivalents	(3,358,443)
Cash and cash equivalents, beginning of year	17,741,536
Cash and cash equivalents, end of year	$ 14,383,093

-Continued-

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

For the year ended September 30, 2023

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	$(29,002,038)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation and amortization	2,882,381
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
(Increase) decrease in assets and deferred outflows of resources	
Receivables, net	(3,015,518)
Inventory	315,753
Other assets	(6,337)
Deferred outflowsof resources	6,722,481
Increase (decrease) in liabilities and deferred inflows of resources	
Accounts payable and accrued liabilities	362,202
Unearned revenue	(13,295,306)
Compensated absences	(5,749)
Net pension liability	13,497,000
Net OPEB liability	(6,133,888)
Deferred inflows of resources	(1,111,847)
Other liabilities	(7,771)
Total adjustments	203,401
Net cash provided by (used in) operating activities	$ (28,798,637)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements George C. Wallace Community College (the "College" or the "Primary Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the College are described below.

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The GASB in Statement 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 College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Discretely Presented Component Unit

The George C. Wallace Community College Foundation (the "Foundation") is organized exclusively for charitable, scientific and educational purposes for the benefit of the College. Because of the significance of the relationship between the College and the Foundation, the Foundation is considered a component unit of the College. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the GASB. As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial statements for these differences. Separate financial statements of the Foundation can be obtained from the Foundation's auditors, Carpenter, Wiggins, Jordan, Thomas & Scarborough, P.C., 2389 West Main Street, Dothan, Alabama 36301.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

As of September 30, 2023, investments for the College consist of certificates of deposit and are reported at amortized cost.

Receivables and Allowance for Doubtful Accounts

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

Capital Assets

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements, 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

Land, construction in progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. The other property, plant, and equipment are depreciated using the methods below over the estimated useful lives of the assets, ranging from five to fifty years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (continued)

Improvements that extend the useful life of the assets are capitalized and depreciated over the remaining useful life of the asset. The method of depreciation and useful lives of the capital assets are as follows:

Capital asset classes	Depreciation Method	Lives
Buildings	Straight-line	50 years
Building alterations	Straight-line	25 years
Improvements other than buildings	Straight-line	25 years
Equipment > $25,000	Straight-line	10 years
Equipment < $25,000	Straight-line	5 years
Library materials	Composite	20 years
Capitalized software	Straight-line	10 years
Internally generated computer software	Straight-line	10 years
Easement and land use rights	Straight-line	20 years
Patents, trademarks, and copyrights	Straight-line	20 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College has two items that qualify for reporting in this category, deferred inflows related to pension, and deferred inflows related to OPEB. The deferred inflows related to pension are an aggregate of items related to pension as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. Deferred inflows related to pension and OPEB result from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. The deferred inflows related to pension or OPEB will be recognized as a reduction to pension or OPEB expense in future reporting years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Unearned Revenue

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

Pension

The Teachers' Retirement System of Alabama (the 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 the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Other Post-Employment Benefits (OPEB) Liability

The Alabama Retired Education Employees' Health Care Trust financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Categories and Classification of Net Position

Net position flow assumption – Sometimes the College will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The College's net position is divided into three components:

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are 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 should also be 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 – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

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

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses

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

Use of Estimates

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

Changes in Accounting Estimates

Beginning 10/01/22, the accounting estimate for Allowance for Doubtful Accounts has been reevaluated. As a result, the College is adjusting the allowance to reflect the expected collectability of outstanding receivables more accurately. This change in estimate is in accordance with GAAP and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase in to Allowance for Doubtful Accounts and a decrease to Net Accounts Receivable in the amount of $238,893.

Beginning 10/01/22, the accounting estimate for Unearned Revenue has been reevaluated. As a result, the College is adjusting the deferred amount to reflect the amount not yet earned more accurately. This change in estimate is in accordance with GAAP and is intended to provide a more accurate representation of the College's financial position.

The change in estimate resulted in an increase in unearned Revenue and a decrease to Student Tuition and Fees in the amount of $117,710.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 16, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021. The implementation of GASB 91 did not result in any significant change in the College's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of GASB 94 are effective for fiscal years beginning after June 15, 2022. The implementation of GASB 94 did not result in any significant change in the College's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of GASB 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this GASB 96 is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. For more information on the effects of the adoption of GASB 96, see Note 2.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

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

The requirements of GASB 99 are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The implementation of GASB 99 did not result in any significant changes in the College's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

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

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

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

All funds invested shall be invested in a manner consistent with all applicable state and federal laws and regulations. All monies shall be placed in interest-bearing accounts unless legally restricted by an external agency. Investments in debt securities are limited to the two highest quality credit ratings as described by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U. S. government are excluded from this requirement.

Permissible investments include:

1) U. S. Treasury bills, notes, bonds, and stripped Treasuries;
2) U. S. Agency notes, bonds, debentures, discount notes and certificates;
3) Certificates of Deposits (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program;
4) Mortgage Backed Securities (MBSs);
5) Mortgage related securities to include Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMIC) securities;
6) Repurchase agreements; and
7) Stocks and Bonds which have been donated to the college.

The College portfolio shall consist primarily of bank CDs and interest bearing accounts, U. S. Treasury securities, debentures of a U.S. Government Sponsored Entity (GSE) and securities backed by collateral issued by GSEs. In order to diversify the portfolio's exposure to concentration risk, the portfolio's maximum allocation to specific product sectors is as follows:

1) U. S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the College’s total investment portfolio. Maximum maturity of these securities shall be ten years.
2) U. S. Agency securities shall have limitations of 50 percent of the College’s total investment portfolio for each Agency, with two exceptions: TVA and SLMA shall be limited to ten percent of total investments. Maximum maturity of these securities shall be ten years.
3) CDs with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

4) The aggregate total of all MBSs may not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5) The total portfolio of mortgage related securities shall not exceed 50 percent of the College's total investment portfolio. The aggregate average life maturity for all holdings shall not exceed seven years while the average life maturity of one security shall not exceed ten years.
6) The college may enter into a repurchase agreement so long as :
    a. the repurchase securities are legal investments under state law for Colleges;
    b. the College receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
    c. the College has entered into signed contracts with all approved counterparties.
7) The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

The College shall not invest in stripped mortgage backed securities, residual interest in CMOs, mortgage servicing rights or commercial mortgage related securities.

Investment of debt proceeds and deposits with trustees is governed by the provisions of the debt agreement. Funds may be invested in any legally permissible document.

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

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the College places its deposits are certified as "qualified public depositories," as required under the SAFE program. For an investment, this is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The College's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements. In addition, investments of current operating funds are required to have maturities of no longer than twelve months.

Credit risk – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The College's investment policy limits investments to securities with specific ranking criteria.

Concentration risk – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The College investment policy diversifies its exposure to this risk with specific portfolio requirements.

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

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

	Accounts Receivable	Allowance for Uncollectible	Net
Tuition and fees	$ 2,158,707	$ (1,929,314)	$ 229,393
Federal grants and contracts	3,202,371	-	3,202,371
State grants and contracts	2,503,644	-	2,503,644
Agency	88,475	-	88,475
Other	2,190,595	-	2,190,595
Total accounts receivable, net	$ 10,143,792	$ (1,929,314)	$ 8,214,478

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 842,817	$ -	$ -	$ 842,817
Construction-in-progress	2,275,830	2,490,314	(3,387,759)	1,378,385
Capital assets, not being depreciated	3,118,647	2,490,314	(3,387,759)	2,221,202
Capital assets, being depreciated				
Buildings	38,424,280	-	(32,484)	38,391,796
Building alterations	16,599,804	1,998,698	-	18,598,502
Improvements other than buildings	4,248,921	1,389,061	-	5,637,982
Equipment > $25,000	7,079,207	990,806	(361,216)	7,708,797
Equipment < $25,000	6,733,848	399,003	(517,257)	6,615,594
Library materials	789,366	16,258	(145,803)	659,821
Capital assets, being depreciated	73,875,426	4,793,826	(1,056,760)	77,612,492
Less accumulated depreciation for				
Buildings	15,876,944	639,185	-	16,516,129
Building alterations	10,502,230	743,940	-	11,246,170
Improvements other than buildings	2,778,908	186,503	-	2,965,411
Equipment > $25,000	3,983,112	614,497	(343,903)	4,253,706
Equipment < $25,000	5,182,017	632,282	(513,812)	5,300,487
Library materials	648,685	32,991	(145,803)	535,873
Total accumulated depreciation	38,971,896	2,849,398	(1,003,518)	40,817,776

-Continued-

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Total capital assets being depreciated, net	34,903,530	1,944,428	(53,242)	36,794,716
Right-to-use leases assets, being amortized	85,818	3,990	(14,185)	75,623
Less accumulated amortization	23,703	27,242	(14,185)	36,760
Right-to-use leases assets, being amortized, net	62,115	(23,252)	-	38,863
Right-to-use subscription assets, being amortized	-	17,305	-	17,305
Less accumulated amortization	-	5,742	-	5,742
Right-to-use subscription assets, being amortized, net	-	11,563	-	11,563
Total capital assets, net	$ 38,084,292	$ 4,423,053	$ (3,441,001)	$ 39,066,344

Construction in progress includes two ongoing projects at September 30, 2023; the additional costs to complete are approximately $796K.

Accounts Payable and Accrued Liabilities

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

Salaries and wages	$ 751,035
Benefits	139,786
Supplies and vendors	888,121
Total accounts payable and liabilities	$ 1,778,942

Long-Term Debt and Liabilities

Bonds payable

Revenue Bonds Series 2015 with a rate of 2.56% were issued in June 2015, totaling $10,031,000 for the purpose of acquisition, construction and equipping of a Nursing/Allied Health Instructional building located on the College's Dothan campus. The maturity date for the 2015 bonds is June 1, 2030.

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

Leases payable

On January 22, 2021, the College entered into a 60 month lease as lessee for the use of Pitney Bowes - SendPro P Series. An initial lease liability was recorded in the amount of $15,422. As of September 30, 2023, the value of the lease liability is $8,241. The College is required to make quarterly fixed

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Leases payable (continued)

payments of $928. The lease has an interest rate of 1.035%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $15,422 with accumulated amortization of $7,155 is included in the capital assets table above.

On December 10, 2021, the College entered into a 36 month ease as lessee for the use of Xerox Equipment Xante 52217070028. An initial lease liability was recorded in the amount of $23,760. As of September 30, 2023, the value of the lease liability is $10,642. The College is required to make monthly fixed payments of $670. The lease has an interest rate of 1.035%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $23,760 with accumulated amortization of $12,982 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Sparks Fin Aid 4441R900803. An initial lease liability was recorded in the amount of $5,454. As of September 30, 2023, the value of the lease liability is $2,760. The College is required to make monthly fixed payments of $156. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $5,454 with accumulated amortization of $2,620 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Heersink Workroom 1 4451R00045. An initial lease liability was recorded in the amount of $6,597. As of September 30, 2023, the value of the lease liability is $3,338. The College is required to make monthly fixed payments of $188. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $6,597 with accumulated amortization of $3,169 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Ricoh Copier - Heersink Workroom 2 4451RA000301. An initial lease liability was recorded in the amount of $7,439. As of September 30, 2023, the value of the lease liability is $3,765. The College is required to make monthly fixed payments of $212. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $7,439 with accumulated amortization of $3,573 is included in the capital assets table above.

On February 17, 2022, the College entered into a 36 month lease as lessee for the use of Mimaki Copier - Printshop CJV-130. An initial lease liability was recorded in the amount of $12,961. As of September 30, 2023, the value of the lease liability is $6,559. The College is required to make monthly fixed payments of $370. The lease has an interest rate of 1.817%. The equipment estimated useful life was 36 months as of the contract commencement. The value of the right to use asset as of September 30, 2023 of $12,961 with accumulated amortization of $6,264 is included in the capital assets table above.

On July 1, 2022, the College entered into a 60 month lease as lessee for the use of Pitney Bowes – SendPro C Series Sparks. An initial lease liability was recorded in the amount of $3,990. As of September 30, 2023, the value of the lease liability is $3,015. The College is required to make monthly

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Leases payable (continued)

fixed payments of $210. The lease has an interest rate of 2.157%. 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, 2023 of $3,990 with accumulated amortization of $997 is included in the capital assets table above.

Subscription-Based Information Technology Arrangements

For the year ended September 30, 2023, the financial statements include the adoption of GASB 96. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This Statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under GASB 96, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On October 1, 2022, the College entered into a 36 month subscription for the use of Camtasia Snagit Bundle. An initial subscription liability was recorded in the amount of $17,305. As of September 30, 2023, the value of the subscription liability is $11,515. The College is required to make annual fixed payments of $5,988. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of September 30, 2023 of $17,305 with accumulated amortization of $5,742 is included in the capital assets table above.

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

Year ending	Bonds Payable			Lease Obligations			Subscription Obligations		
September 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	$ 681,000	$ 131,763	$ 812,763	$ 23,285	$ 410	$ 23,695	$ 5,682	$ 306	$ 5,988
2025	698,000	114,330	812,330	12,672	110	12,782	5,833	155	5,988
2026	716,000	96,461	812,461	1,740	27	1,767	-	-	-
2027	734,000	78,131	812,131	623	7	630	-	-	-
2028	753,000	59,341	812,341	-	-	-	-	-	-
2029-2030	1,565,000	60,339	1,625,339	-	-	-	-	-	-
Total	5,147,000	540,365	5,687,365	38,320	554	38,874	11,515	461	11,976
Current portion	681,000	131,763	812,763	23,285	410	23,695	5,682	306	5,988
Payable after one year	$ 4,466,000	$ 408,602	$ 4,874,602	$ 15,035	$ 144	$ 15,179	$ 5,833	$ 155	$ 5,988

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease obligations	$ 61,348	$ 3,990	$ 27,018	$ 38,320	$ 23,285
Subscription obligations	-	17,305	5,790	11,515	5,682
Compensated absences	862,801	700,275	706,023	857,053	68,650
Revenue bonds	5,811,000	-	664,000	5,147,000	681,000
Total long-term liabilities	$ 6,735,149	$ 721,570	$ 1,402,831	$ 6,053,888	$ 778,617

Pledged Revenues

Future revenues in the approximate amount of $7,312,451 are pledged to repay the principal and interest on the bonds at September 30, 2023. Pledged revenues in the amount of $12,402,582 were received during the fiscal year ended September 30, 2023, with $772,945 or 6.2% of pledged revenues being used to pay principal and interest during this fiscal year. These bonds are scheduled to mature in fiscal year 2030.

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. The elements of this calculation are as follows:

Capital assets (net)	39,066,344
Outstanding debt related to capital assets	(5,197,045)
Net investment in capital assets	$ 33,869,299

Note 3: RETIREMENT PLAN

Description of Plan

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

Note 3: RETIREMENT PLAN (Continued)

Benefits Provided

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

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

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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.

Note 3: RETIREMENT PLAN (Continued)

Contributions (continued)

Participating employers' contractually required contribution rate for the year ended September 30, 2022 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the Plan from the College were $2,336,000 for the year ended September 30, 2023.

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

At September 30, 2023, the College reported a liability of $37,058,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.238457%, which was a decrease of 0.011655% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized pension expense of $4,179,000.

At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 815,000	$ 899,000
Changes of assumptions	1,682,000	-
Net difference between projected and actual earnings	7,436,000	-
Changes in proportion and differences between employer contributions and proportional share of contributions	467,000	1,637,000
Contributions made subsequent to the measurement date	2,336,000	-
Total	$ 12,736,000	$ 2,536,000

$2,336,000 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024.

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

Note 3: RETIREMENT PLAN (Continued)

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

Year ending September 30,	
2024	$ 2,232,000
2025	1,851,000
2026	1,050,000
2027	2,731,000
2028	-
Thereafter	-
Total	$ 7,864,000

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

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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

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

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

Note 3: RETIREMENT PLAN (Continued)

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

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

*Includes assumed rate of inflation of 2.00%

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	$ 47,952,000	$ 37,058,000	$ 27,882,000

Note 3: RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

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

Plan Description

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

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

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

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

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

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

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

Contributions (continued)

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, 2023, the College reported a liability of $3,504,544 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the Net OPEB liability was based on the employers' share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the College's proportion was 0.201128% which was an increase of 0.014583% from its proportion measured as of September 30, 2021.

For the fiscal year ended September 30, 2023, the College recognized an OPEB expense of $(2,032,504), with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,732	$ 7,085,900
Change of assumptions	2,842,664	5,101,075
Net difference between projected and actual earnings on OPEB plan investments	440,730	-
Changes in proportion and differences between employer contributions and proportional share of contributions	1,032,546	1,331,655
Employer contributions subsequent to the measurement date	278,712	-
Total	$ 4,755,384	$ 13,518,630

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

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

$278,712 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

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

Year ending September 30,	
2024	$ (2,307,674)
2025	(2,394,201)
2026	(1,169,520)
2027	(1,033,405)
2028	(1,339,481)
Thereafter	(797,677)
Total	$ (9,041,958)

Actuarial assumptions

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

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

[1]Including 2.75% wage inflation

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

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

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

Actuarial assumptions (continued)

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

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

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

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

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

*Geometric mean, includes 2.5% inflation

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

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

Sensitivity of the College's proportionate share of the Net OPEB liability to changes in the Healthcare Cost Trend Rates

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

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	$ 2,657,503	$ 3,504,544	$ 4,543,360

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 4,332,851	$ 3,504,544	$ 2,809,205

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, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 5: RISK MANAGEMENT

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational colleges and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The College contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the College's coverage in any of the past three fiscal years.

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

Note 6: COMMITMENTS AND CONTINGENCIES

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

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

Commitment	Amount	Estimated Date of Completion
Generators	396,000	9/30/2024
HVAC	400,000	9/30/2024
Total outstanding commitments	$ 796,000	

Note 7: PRIOR PERIOD ADJUSTMENTS

The College entered into a lease in prior year that was not recorded under GASB 87 in the year received. As such, a prior period adjustment of $210 was recorded to appropriately correct lease assets and lease liability. The College also required an adjustment to correct a building improvement addition added in prior year to current year. This change in classification resulted in an accumulated property adjustment totaling $(32,484). The total cumulative effect of the prior period adjustments noted above are $(32,274).

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

As of and for the year ended September 30,	**2023**	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	**0.238457%**	0.250112%	0.256303%	0.245234%	0.256396%	0.256796%	0.255715%	0.255478%	0.246871%
College's proportionate share of the net pension liability	**$ 37,058**	$ 23,561	$ 31,704	$ 27,115	$ 25,492	$ 25,239	$ 27,684	$ 26,737	$ 22,427
College's covered payroll	**$ 18,384**	$ 18,122	$ 18,136	$ 17,470	$ 17,197	$ 16,977	$ 16,253	$ 16,168	$ 15,666
College's proportionate share of the net pension liability as a percentage of its covered payroll	**202%**	130%	175%	155%	148%	149%	170%	165%	143%
Plan fiduciary net position as a percentage of the total pension liability	**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, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

Note 2: This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

George C. Wallace Community College
Required Supplementary Information
Teachers' Retirement System of Alabama
Schedule of the Employer's Contributions
Last Nine Fiscal Years
(in thousands)

As of the year ended September 30,	**2023**	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	**$ 2,336**	$ 2,223	$ 2,188	$ 2,210	$ 2,132	$ 2,068	$ 2,010	$ 1,922	$ 1,827
Contributions in relation to the contractually required contribution	**2,336**	2,223	2,188	2,210	2,132	2,068	2,010	1,922	1,827
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	**$ 19,170**	$ 18,384	$ 18,122	$ 18,136	$ 17,470	$ 17,197	$ 16,977	$ 16,253	$ 16,168
Contributions as a percentage of covered payroll	**12.19%**	12.09%	12.07%	12.19%	12.20%	12.03%	11.84%	11.83%	11.30%

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

<u>Notes to Schedule</u>

Note 1: Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/23 year is 10/1/2022 - 9/30/23.

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

George C. Wallace Community College
Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
Schedule of the Employer's Proportionate Share of the Net OPEB Liability
Last Six Fiscal Years

As of and for the year ended September 30,	**2023**	2022	2021	2020	2019	2018
College's proportion of the collective net OPEB liability	**0.201128%**	0.186545%	0.188333%	0.216421%	0.214058%	0.209598%
College's proportionate share of the collective net OPEB liability	**$ 3,504,544**	$ 9,638,432	$ 12,222,550	$ 8,165,092	$ 17,592,841	$ 15,567,742
College's covered-employee payroll during the measurement period*	**$ 17,631,505**	$ 17,120,526	$ 17,539,544	$ 17,176,587	$ 16,759,894	$ 16,599,227
College's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	**19.88%**	56.30%	69.69%	47.54%	104.97%	93.79%
Plan fiduciary net position as a percentage of the total collective OPEB liability	**48.39%**	27.11%	19.80%	28.14%	14.81%	15.37%

Notes to Schedule

Note 1: Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for the RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2023 year is October 1, 2021 through September 30, 2022.

Note 2: This schedule is intended to show information for 10 years. Additional years wll be displayed as they become available.

George C. Wallace Community College
Required Supplementary Information
Alabama Retired Education Employees' Health Care Trust
Schedule of the Employer's Contributions
Last Six Fiscal Years

As of the year ended September 30,	**2023**	2022	2021	2020	2019	2018
Contractually required contribution	**$ 278,712**	$ 382,735	$ 323,777	$ 371,191	$ 616,314	$ 527,825
Contributions in relation to the contractually required contribution	**278,712**	382,735	323,777	371,191	616,314	527,825
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -
College's covered-employee payroll	**$ 18,312,765**	$ 17,631,505	$ 17,120,526	$ 17,539,544	$ 17,176,587	$ 16,759,894
Contributions as a percentage of covered-employee payroll	**1.52%**	2.17%	1.89%	2.12%	3.59%	3.15%

<u>Notes to Schedule</u>

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

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

Pension

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarially determined contribution rates as of September 30, two years prior to the beginning of the fiscal year in which contributions are reported. Methods and assumptions used to determine the contribution rate:

	General Employees
Inflation	2.50%
Projected Salary Increases	3.25 – 5.00%
Investment rate of return	7.45%

*Net of pension plan investment expense

OPEB

Changes in Actuarial Assumptions

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

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to 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 Affordable Care Act maximum annual out-of pocket amounts.

Methods and Assumptions Used to Determine Contribution Rates

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

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

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

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

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Linda C. Young, President – George C. Wallace Community College
Dothan, Alabama 36303

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the George C. Wallace Community College, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise George C. Wallace Community College's basic financial statements, and have issued our report thereon dated January 16, 2024. Our report includes a reference to other auditors who audited the financial statements of George C. Wallace Community College Foundation as described in our report on George C. Wallace Community College's financial statements. The financial statements of George C. Wallace Community College Foundation were not audited in accordance with *Government Auditing Standards.*

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

CARR, RIGGS & INGRAM, LLC

Enterprise, Alabama
January 16, 2024

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

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Linda C. Young, President – George C. Wallace Community College
Dothan, Alabama 36303

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 to be a significant deficiency.

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.

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

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

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 16, 2024

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

1. Type of auditors' report issued on compliance for major programs	Unmodified
2. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	Yes
4. Identification of major programs	

Assistance Listing Number	Federal Program
	Higher Education Emergency Relief Fund (HEERF)
84.425F	COVID-19 HEERF Institutional Portion
	TRIO Cluster
84.042	Student Support Services
84.044	Upward Bound
84.047	Talent Search

5. Dollar threshold used to distinguish between type A and type B programs	$750,000
6. Auditee qualified as low-risk under 2CFR 200.520	Yes

Section II – Financial Statements Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Item 2023-001 Allowable Costs/Activities
TRIO Cluster - Assistance Listing # 84.042, 84.044, 84.047
U.S. Department of Education
Federal Assistance Identification Number – P042A2A200272, P044A210475, P047A220386
Federal Award Year - 2022

Criteria – As specified in 2 CFR section 200.303 the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Adequate controls must be in place to ensure that expenditures are properly authorized and allowable under program guidelines and are reported in the applicable reporting periods.

Condition – The College's internal control over compliance with allowable costs and activities requires that the terms of employment in the program be documented in an executed contract which details the terms of the employment. This control was not consistently adhered to for all employees.

Cause – We noted three instances in a sample of sixteen employees in which an executed employment contract was not obtained to document the terms and approval of the employment under the program.

Effect – Failure to follow the College's policy of obtaining an executed contract for each employee under the program could result in disallowed costs.

Questioned Costs – Not determinable.

Recommendation – We recommend that the College strictly adhere to its policy of obtaining executed contracts for all employed under the program to ensure there is evidence of review and approval of employee contracts prior to payment.

Management's Response – The College will put into place controls that will provide assurance of proper review and approval of contracts for employees payroll disbursements prior to payment. The Dean of Business Affairs will be responsible for this corrective action and anticipates completion of corrective action will be taken before February 29, 2024.

Section IV – Prior Findings and Questioned Costs for Federal Awards

Item 2002-001 Reporting – This item was corrected during the fiscal year ended September 30, 2023.

Item 2002-002 Cash Management – This item was corrected during the fiscal year ended September 30, 2023.

WALLACE COMMUNITY COLLEGE
Dothan • Eufaula

George C. Wallace Community College
Corrective Action Plan
For the Year Ended September 30, 2023

Single Audit Findings

Item 2023-001 – Allowable Costs/Activities

Contact person: Marc Nicholas, Dean of Business Affairs

Management's Response – The College will strictly adhere to its policy of obtaining current executed contracts or agreements for all employees under the program, prior to payment of the employee. The Dean of Business Affairs will be responsible for this corrective action and anticipates completion of corrective action will be taken before 1/31/24.

www.wallace.edu

For the year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Assistance Cluster				
Direct Programs				
Federal Pell Grant Program	84.063		$ -	$ 9,699,370
Federal Supplemental Educational Opportunity Grants	84.007		-	162,862
Federal Work-Study Program	84.033		-	110,346
Subtotal Student Financial Assistance Cluster			-	9,972,578
TRIO Cluster				
TRIO-Student Support Services	84.042		-	678,645
TRIO-Upward Bound	84.047		-	344,644
TRIO-Talent Search	84.044		-	340,521
Subtotal TRIO Cluster			-	1,363,810
Direct Programs				
Higher Education Institutional Aid	84.031		-	451,924
Pass-Through Alabama State Department of Education				
Career and Technical Education - Basic Grants to States	84.048		-	358,584
Pass-Through Alabama Community College System				
Adult Education - Basic Grants to States	84.002		-	370,946
COVID-19: Education Stablization Fund				
Direct Programs				
COVID-19-Higher Education Emergency Relief Funds -Institutional Aid	84.425F		-	2,387,887
Total U.S. Department of Education			-	14,905,729

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Labor				
WIOA Cluster				
Pass-Through Alabama Department of Commerce				
WIOA Adult Program	17.258		-	378,212
WIOA Youth Activities	17.259		-	21,859
AE The Next Step Youth Program 2	17.259		-	57,964
WIOA Dislocated Worker Formula Grants	17.278		-	3,092
Subtotal WIOA Cluster			-	461,127
Direct Programs				
H-1B Job Training Grants	17.268		-	49,980
Total U.S. Department of Labor			-	511,107
Total Federal Expenditures			**$ -**	**$ 15,416,836**

Note 1: BASIS OF ACCOUNTING

This Schedule of Expenditures of Federal Awards (the schedule) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of George C. Wallace Community College's (the College) federal grants.

Note 2: DE MINIMIS

The College has elected to not use the 10% de Minimis indirect cost rate.

Note 3: BASIS OF PRESENTATION

The accompanying schedule summarizes the federal expenditures of the College under programs of the federal government for the year ended September 30, 2023. The amount reported as federal expenditures were obtained from the College's general ledger. Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net margins and cash flows of the College.

For purposes of the schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the schedule. The College has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALN have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Three clusters were identified in the schedule as follows:

Student Financial Aid Cluster - This cluster includes awards that assist agencies in providing financial assistance to eligible students attending eligible institutions of postsecondary education.

TRIO Cluster – This cluster includes awards that assist agencies in providing outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds (low-income individuals, first-generation college students, and individuals with disabilities).

Workforce Innovation and Opportunity Act (WIOA) Cluster - This cluster includes awards designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the schedule may differ. Some of the factors that may account for any difference include the following:

- The College's fiscal year end may differ from the program's year end.
- Accruals recognized in the schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the College's financial statements and as expenditures in the program financial reports.

Note 5: FEDERAL PASS-THROUGH FUNDS

The College is the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct and will be designated accordingly.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the College are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the College does not believe that such disallowance, if any, would have a material effect on the financial position of the College. As of September 30, 2023, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

The College did not receive any federal noncash assistance for the fiscal year ended September 30, 2023.

Note 8: SUBRECIPIENTS

The College did not provide federal funds to subrecipients for the fiscal year ended September 30, 2023.

Note 9: LOANS AND LOAN GUARANTEES

The College did not have any loans or loan guarantee programs required to be reported on the schedule.

Note 10: FEDERALLY FUNDED INSURANCE

The College did not have any federally funded insurance required to be reported on the schedule for the fiscal year ending September 30, 2023.

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334.347.0088
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CRIcpa.com

January 16, 2024

The President and Management
George C. Wallace Community College
Dothan, Alabama

Dear President and Management:

We are pleased to present the results of our audit of the 2023 financial statements of George C. Wallace Community College (the "College").

This report to the President and Management summarizes our audit, the report issued and various analyses and observations related to the College's accounting and reporting. The document also contains the communications required by our professional standards.

Our audit was designed, primarily, to express an opinion on the College's 2023 financial statements. We considered the College's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the College's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the President, Management, and others within the College and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call me at 334-348-1439.

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

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama

As discussed with Management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the College. Specifically, we planned and performed our audit to:

- Perform audit services as requested by Management, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, in order to express an opinion on the College's financial statements for the year ended September 30, 2023;

- 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*; and Uniform Guidance 2 CFR Part 200 in order to express an opinion on compliance with requirements applicable to each major federal program;

- Report on internal control over compliance with the types of compliance requirements described in Uniform Guidance 2 CFR Part 200 and the OMB Compliance Supplement;

- Communicate directly with the President and Management regarding the results of our procedures;

- Address with the President and Management any accounting and financial reporting issues;

- Anticipate and respond to concerns of the President and Management; and

- Address other audit-related projects as they arise and upon request.

We have audited the financial statements of George C. Wallace Community College (the "College") for the year ended September 30, 2023, and have issued our report thereon dated January 16, 2024. Professional standards require that we provide you with the following information related to our audits:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Auditors' responsibility under Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance	As stated in our engagement letter dated June 16, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities. As part of our audit, we considered the internal control of the College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
Client's responsibility	Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.
Planned scope and timing of the audit	Our initial audit plan was not significantly altered during our fieldwork.
Management judgments and accounting estimates *The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.*	Please see the following section titled "Accounting Policies, Judgments, and Sensitive Estimates & CRI Comments on Quality."
Potential effect on the financial statements of any significant risks and exposures *Major risks and exposures facing the College and*	No such risks or exposures were noted.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
how they are disclosed.	
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles • *The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.* • *The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the College's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the College in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;* • *Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.*	The significant accounting policies used by the College are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements: • GASB Statement No. 91 (GASB 91), *Conduit Debt Obligations*. • GASB Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. • GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements* • GASB Statement No. 99 (GASB 99), *Omnibus 2022*. The adoption of GASB 96 resulted in a change to the financial statements to include a right of use subscription asset and a subscription payable. The adoption of GASB 91, 94, and 99 had no significant impact on the financial statements. We noted no transactions entered into by the College during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Further, the disclosures in the College's financial statements are neutral, consistent, and clear.
Significant difficulties encountered in the audit *Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.*	We encountered no significant difficulties in dealing with management in performing and completing our audit.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Disagreements with management *Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditors' report. This does not include those that came about based on incomplete facts or preliminary information.*	We are pleased to report that no such disagreements arose during the course of our audit.
Other findings or issues *Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.*	None noted.
Matters arising from the audit that were discussed with, or the subject of correspondence with, management *Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.*	None noted.
Corrected and uncorrected misstatements *All significant audit adjustments arising from the audit, whether or not recorded by the College, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the College about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.*	See "Summary of Audit Adjustments" section.
Major issues discussed with management prior to retention *Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.*	Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Consultations with other accountants *When management has consulted with other accountants about significant accounting or auditing matters.*	To our knowledge, there were no such consultations with other accountants.
Written representations *A description of the written representations the auditor requested (or a copy of the representation letter).*	See "Management Representation Letter" section.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Internal control deficiencies *Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.*	See "Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" section, and "Independent Auditors' Report on Compliance for Each Major Program, and Report on Internal Control Over Compliance Required by the Uniform Guidance" section, which were issued January 16, 2024.
Fraud and illegal acts *Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.*	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
Other information in documents containing audited financial statements *The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.*	Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether: Such information is materially inconsistent with the financial statements; and We believe such information represents a material misstatement of fact. We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.
Significant unusual accounting transactions *Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.*	No significant unusual accounting transactions were noted during the year.

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
Required Supplementary Information *The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.
Supplementary Information in relation to the financial statements as a whole *The auditors' responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.*	We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We are required to communicate our judgments about the quality, not just the acceptability, of the College's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The College may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of property and equipment, net	The College depreciates assets over the expected remaining useful life of the individual asset.	X	Judgments in this area relate to the estimate of the remaining useful life of the asset.	The College's recognition methods and disclosures appear appropriate.
Other post-employment benefit obligation	The College records a liability for its post-employment benefits obligation other than pension.	X	The OPEB liability is projected using methods and assumptions as provided in the most recent actuarial valuation, in accordance with the provisions of GASB Statement No. 75. Health care cost trend rates were based on market assessments.	We evaluated the assumptions used by the actuary in determining the total OPEB liability and found them to be in accordance with the provisions of GASB 75 and reasonable in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Defined benefit pension plan	The College participates in the Teacher's Retirement System of Alabama (TRS), cost sharing plan administered by RSA. RSA utilizes an independent actuary to provide an actuarial valuation report specific to each participating employer. This report provides each participating employer with estimates of the total pension liability, fiduciary net position, related deferred outflows/inflows of resources and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension liability was determined by an actuarial valuation as of September 30, 2021 with a measurement date of September 30, 2022.	We evaluated the assumptions used by the actuary in estimating the College's total pension liability, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITORS' CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated absences	Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits. The College follows the provisions of Section C60: *Compensated Absences*, of the GASB Codification when reporting these liabilities.	X	The College estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.	The College's policies are in accordance with all applicable accounting guidelines and GASB.
Accounts Receivable	Student receivables are reported at the estimated net realizable amounts from students. The College regularly reviews its accounts and provides appropriate allowances.	X	Outstanding student receivables are reduced for estimated provision for bad debts.	The College's policies are in accordance with all applicable accounting guidelines.

During the course of our audit, we accumulate differences between amounts recorded by the College and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the College or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditors' judgment, such uncorrected misstatements are immaterial to the financial statements under audit. There were no corrected or passed audit adjustments.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the College's operating environment that has been identified as playing a significant role in the College's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

January 16, 2024

Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, Alabama 36330

This representation letter is provided in connection with your audit of the financial statements of George C. Wallace Community College (the "College"), which comprise the respective financial position of the business-type activities and the discretely presented component unit as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 16, 2024, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 16, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9) Guarantees, whether written or oral, under which the College is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the College from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the ACCS Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the College and involves—

    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the College's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the names of the College's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19) We have a process to track the status of audit findings and recommendations.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

23) The College has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

25) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

27) The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28) The College has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

30) The financial statements include all fiduciary activities required by GASBS No. 84 , as amended.

31) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.

32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

33) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

34) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

35) Provisions for uncollectible receivables have been properly identified and recorded.

36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in fund net position, and allocations have been made on a reasonable basis.

37) Revenues are appropriately classified in the statement of revenues, expenses and changes in fund net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39) Deposits and investment securities are properly classified as to risk and are properly disclosed.

40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

41) We have appropriately disclosed the College's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42) We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board Statement (GASBS) Nos. 100 and 101 as discussed in Note 1. The College is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

43) We agree with the findings of specialists in evaluating the valuation of pension liabilities, OPEB liabilities, and related deferred outflows/inflows and pension/OPEB expense and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

44) We believe that the actuarial assumptions and methods used to measure pension liabilities, OPEB liabilities, and related deferred inflows and outflows and costs for financial accounting purposes are appropriate in the circumstances.

45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

46) We believe that the changes in accounting estimates for Allowance for Doubtful Accounts and Unearned Revenue is preferable to accurately reflect the balance of account as of September 30, 2023. These changes in accounting estimates are in accordance with GAAP and are intended to provide a more accurate representation of the College's financial position.

47) We have obtained the SOC 1 reports from our service organizations. We have reviewed such reports, including complimentary user controls. We have implemented the relevant user controls, and they were in operation for the year ended September 30, 2023

48) With respect to federal award programs:

    a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

    b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

    c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

    d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditors' report.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t) We have charged costs to federal awards in accordance with applicable cost principles.

u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature: ______________________________
Name: Dr. Linda C. Young
Title: President

Signature: ______________________________
Name: Marc Nicholas
Title: Dean of Business Affairs