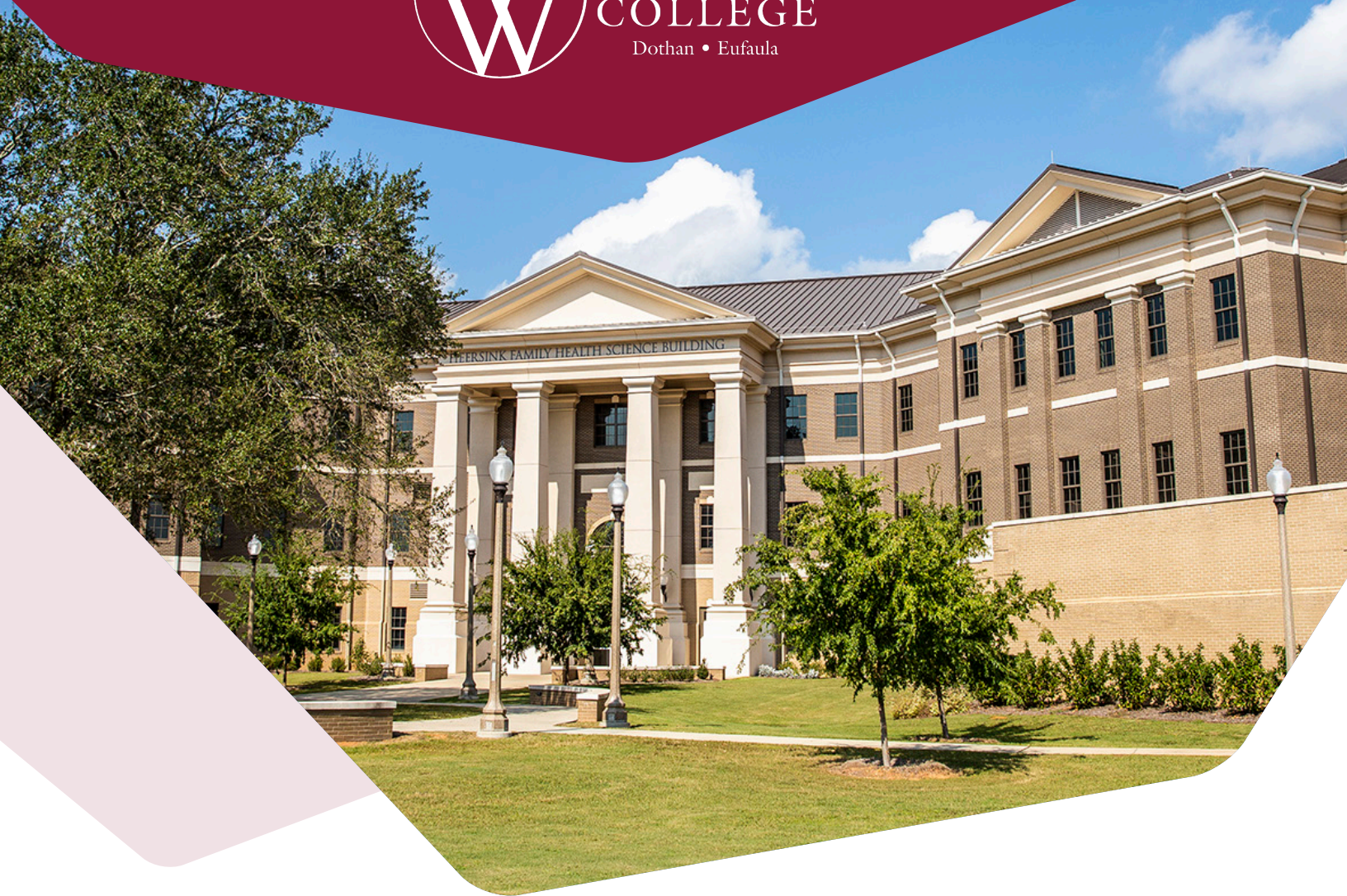




WALLACE  
COMMUNITY  
COLLEGE

Dothan • Eufaula



# Annual Financial Report

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FOR THE YEAR ENDED SEPTEMBER 30, 2024



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WALLACE COMMUNITY COLLEGE – DOTHAN

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## INDEPENDENT AUDITOR'S REPORT

Jimmy Baker, Chancellor – Alabama Community College System  
Mr. Keith Phillips – 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 (the “College”), a component unit of the State of Alabama, and its discretely presented component unit, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements as listed in the table of contents.

In our opinion, 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, 2024, and George C. Wallace Community College Foundation, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 assets and revenues of the component unit as of December 31, 2023, and the respective changes in financial position thereof for the year then ended. Those financial statements 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. The financial statements of George C. Wallace Community College Foundation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

#### *Responsibilities of Management for the Financial Statements*

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 1 – 11, schedules of the employer's proportionate share of the net pension liability and OPEB liability, schedules of employer's pension and OPEB contributions, and related notes, on pages 55 – 61, 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 auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2025, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering College's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

January 15, 2025



DOESN'T COME FROM  
WHAT YOU DO OCCASIONALLY

# SUCCESS

IT COMES FROM WHAT YOU DO  
CONSISTENTLY



## Management's Discussion and Analysis

ANNUAL FINANCIAL REPORT  
WALLACE COMMUNITY COLLEGE - DOTHAN



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## Management's Discussion and Analysis

### Overview of the Financial Statements and Financial Analysis

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 the audit of the 2022-2023 fiscal records by Carr, Riggs & Ingram, CPAs and Advisors. Presented in this document are the financial statements for fiscal year 2023-2024. 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 non-current), Deferred Outflows of Resources, Liabilities (current and non-current), 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.

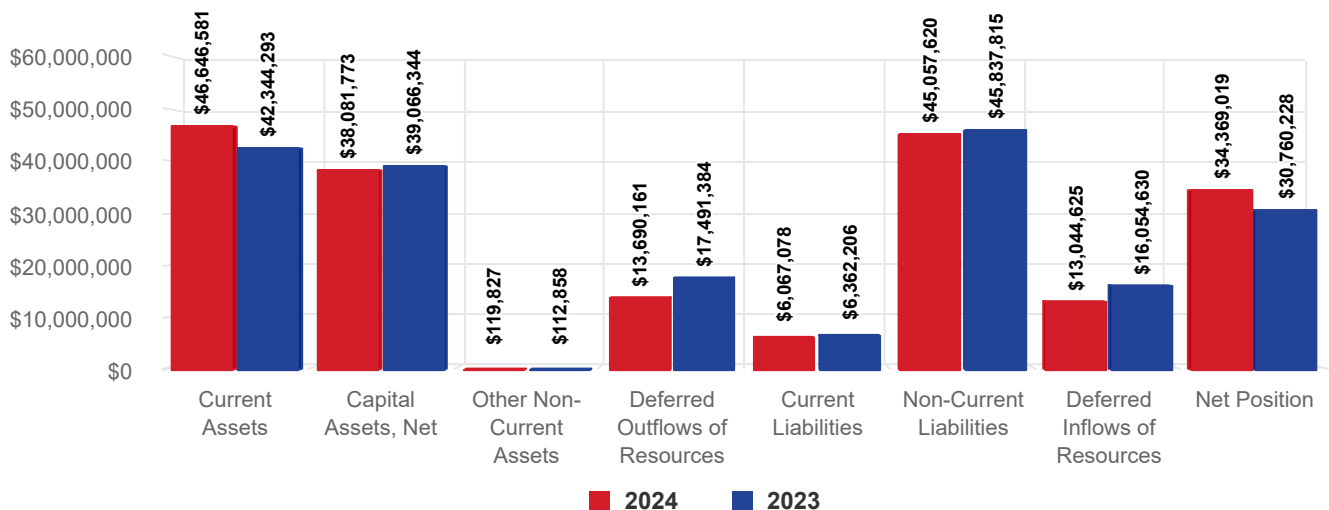
A condensed Statement of Net Position on September 30, 2024 and 2023 is presented below.

### Statement of Net Position

	2024	2023
<b>Assets</b>		
Current Assets	\$ 46,646,581	\$ 42,344,293
Capital Assets, Net	38,081,773	39,066,344
Other Non-Current Assets	119,827	112,858
<b>Total Assets</b>	<b>84,848,181</b>	<b>81,523,495</b>
<b>Deferred Outflows of Resources</b>	<b>13,690,161</b>	<b>17,491,384</b>
<b>Liabilities</b>		
Current Liabilities	6,067,078	6,362,206
Non-Current Liabilities	45,057,620	45,837,815
<b>Total Liabilities</b>	<b>51,124,698</b>	<b>52,200,021</b>
<b>Deferred Inflows of Resources</b>	<b>13,044,625</b>	<b>16,054,630</b>
<b>Net Position</b>		
Net Investment in Capital Assets, Net of Debt	33,594,797	33,869,299
Restricted	6,020,017	850,633
Unrestricted	(5,245,795)	(3,959,704)
<b>Total Net Position</b>	<b>\$ 34,369,019</b>	<b>\$ 30,760,228</b>

The following is a graphic presentation of the College’s Statements of Net Position as of September 30, 2024 and 2023:

### Statement of Net Position



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 2023-2024, the College’s net position totaled \$34,369,019. 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 decreased by \$76,000 bringing the total to \$36,982,000. 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 \$3,425,244.

### 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 non-operating revenues received by the College, the operating and non-operating 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. Non-operating revenues are revenues received for which goods and services are not provided. State appropriations are considered non-operating 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.

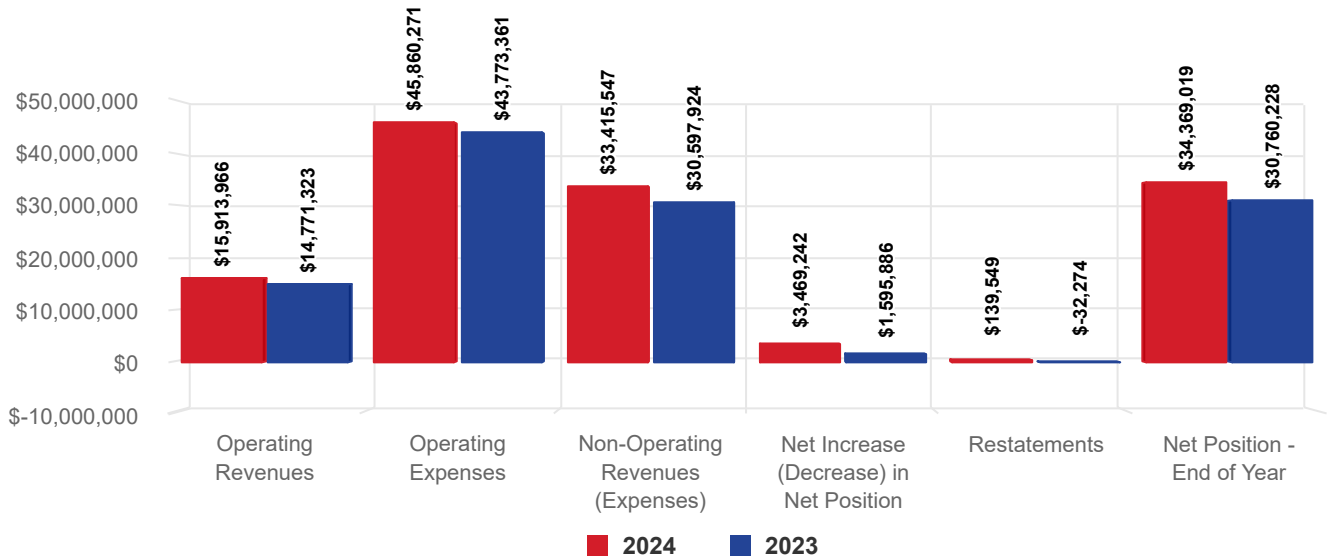
A condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2024 and 2023 is presented below.

### Statement of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 15,913,966	\$ 14,771,323
Operating Expenses	45,860,271	43,773,361
Operating Income (Loss)	<u>(29,946,305)</u>	<u>(29,002,038)</u>
Non-Operating Revenues (Expenses)	33,415,547	30,597,924
Net Increase (Decrease) in Net Position	<u>3,469,242</u>	<u>1,595,886</u>
Net Position - Beginning of Year	<u>30,760,228</u>	<u>29,196,616</u>
Restatements	139,549	(32,274)
Net Position - End of Year	<u>34,369,019</u>	<u>30,760,228</u>

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

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

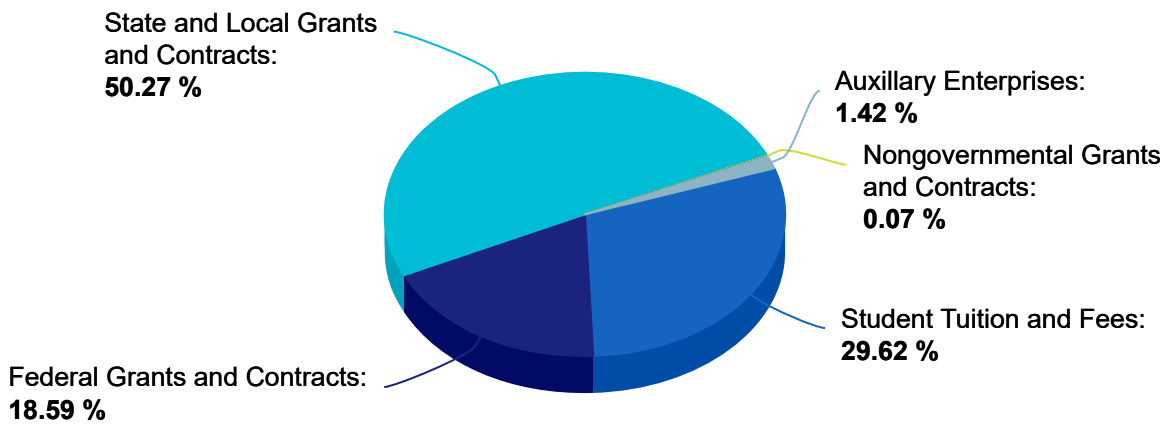


**Operating Revenues**

	2024	2023
<b>Operating Revenues</b>		
Student Tuition and Fees	\$ 4,713,121	\$ 5,428,425
Federal Grants and Contracts	2,957,998	5,314,304
State and Local Grants and Contracts	8,000,300	3,391,315
Nongovernmental Grants and Contracts	10,560	37,367
Sales and Services of Educational Departments	5,427	13,061
Auxillary Enterprises	226,560	586,851
<b>Total Operating Revenues</b>	<b>\$ 15,913,966</b>	<b>\$ 14,771,323</b>

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

### Operating Revenues by Type



**Tuition and Fees** represent the largest revenue source followed by federal and state grants and contracts. The College tuition rate increased to \$129 per credit hour for fall semester 2024, so there was an increase \$2 per credit hour increase over the previous fall semester. The sum of all other types of revenue represents about 52% 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 non-operating revenues, the College received contributions totaling \$20,891,059 for state appropriations, \$10,899,336 in Pell Grant Revenues, interest income of \$1,632,493, endowment income of \$37,580, and other non-operating income of \$141,740. Non-cash gifts/revenue totaled \$37,947.



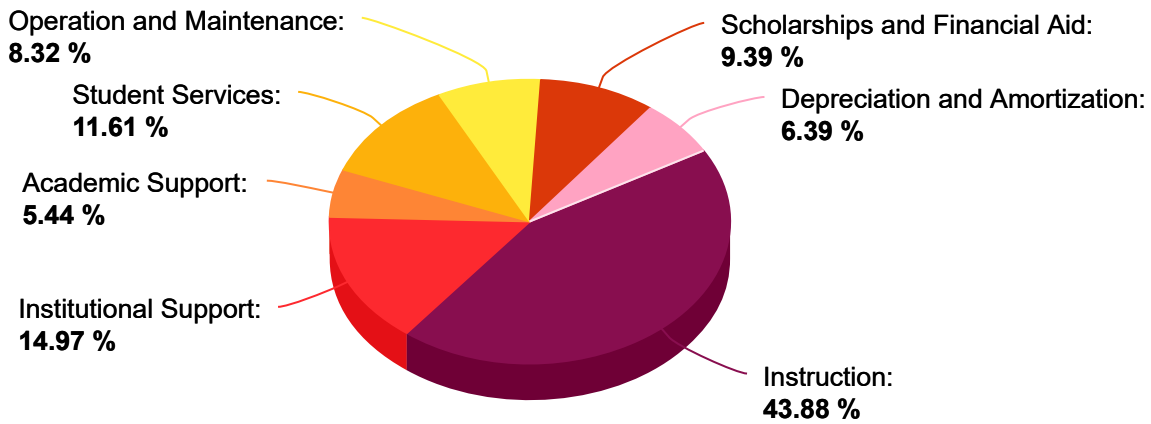
The operating expenses by function stated are displayed in the following exhibit.

### Operating Expenses

	<u>2024</u>	<u>2023</u>
<b>Operating Expenses</b>		
Instruction	\$ 20,123,679	\$ 19,628,654
Institutional Support	6,866,906	7,137,598
Academic Support	2,493,247	2,250,560
Student Services	5,322,981	4,407,450
Operation and Maintenance	3,814,605	3,258,296
Scholarships and Financial Aid	4,308,567	3,543,763
Depreciation and Amortization	2,930,286	2,882,381
Auxillary Enterprises	-	664,659
<b>Total Operating Expenses</b>	<b><u>\$ 45,860,271</u></b>	<b><u>\$ 43,773,361</u></b>

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

### Operating Expenses by Function

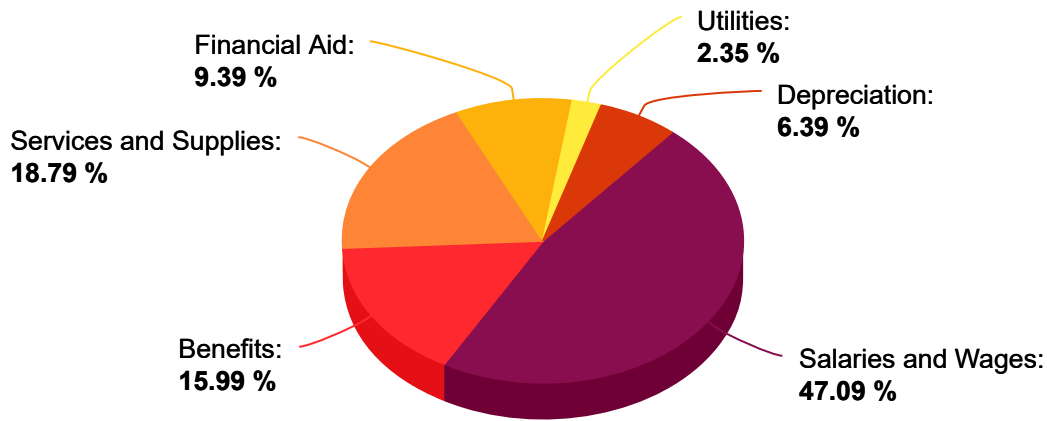


As reflected in the previous chart, operating expenses are divided into functional areas defined by the Alabama Community College System Fiscal Procedures. Instructional expenses represent the largest single functional area expense. Institutional Support, Student Services, Scholarships, Operation and 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 \$3,608,791 increase in change in net position from fiscal year 2023 to fiscal year 2024 experienced, \$2,356,306 was related to the increase in state grants and contracts.

Operating expenses are summarized here by natural classification.

### Operating Expenses by Natural Classification



### Comparison of Non-Operating Revenues

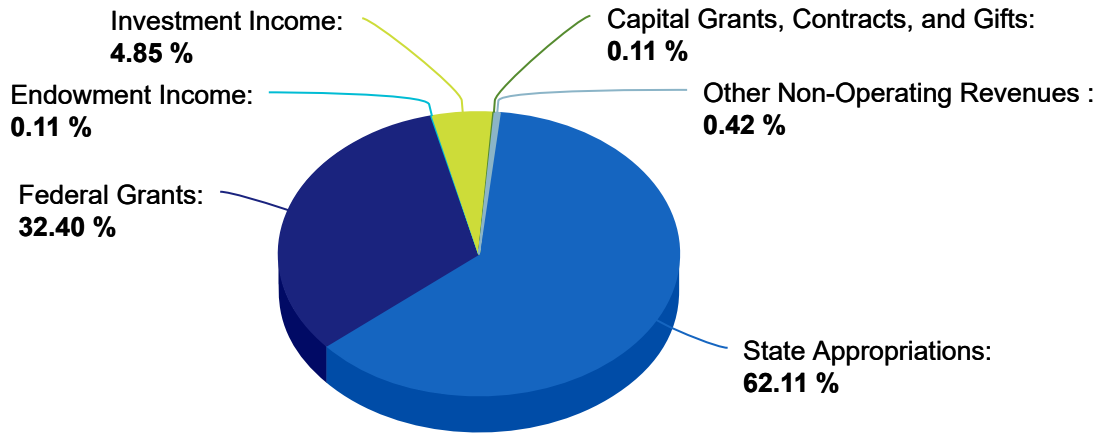
	2024	2023
<b>Non-Operating Revenues</b>		
State Appropriations	\$ 20,891,059	\$ 19,856,556
Federal Grants	10,899,336	9,687,160
Endowment Income	37,580	27,503
Investment Income	1,632,493	825,895
Capital Grants, Contracts, and Gifts	37,947	174,042
Other Non-Operating Revenues	141,740	253,213

**Total Non-Operating Revenues**

<b>\$ 33,640,155</b>	<b>\$ 30,824,369</b>
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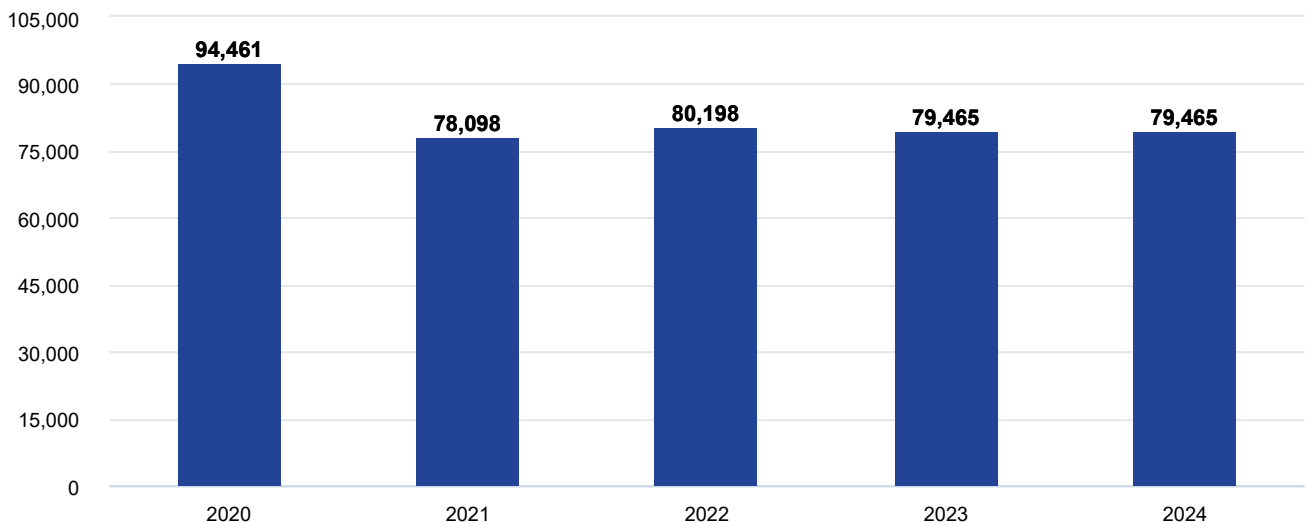
The following chart displays the non-operating revenues by type and their relationship with one another for the fiscal year ended September 30, 2024.

**Comparison of Non-Operating Revenues**



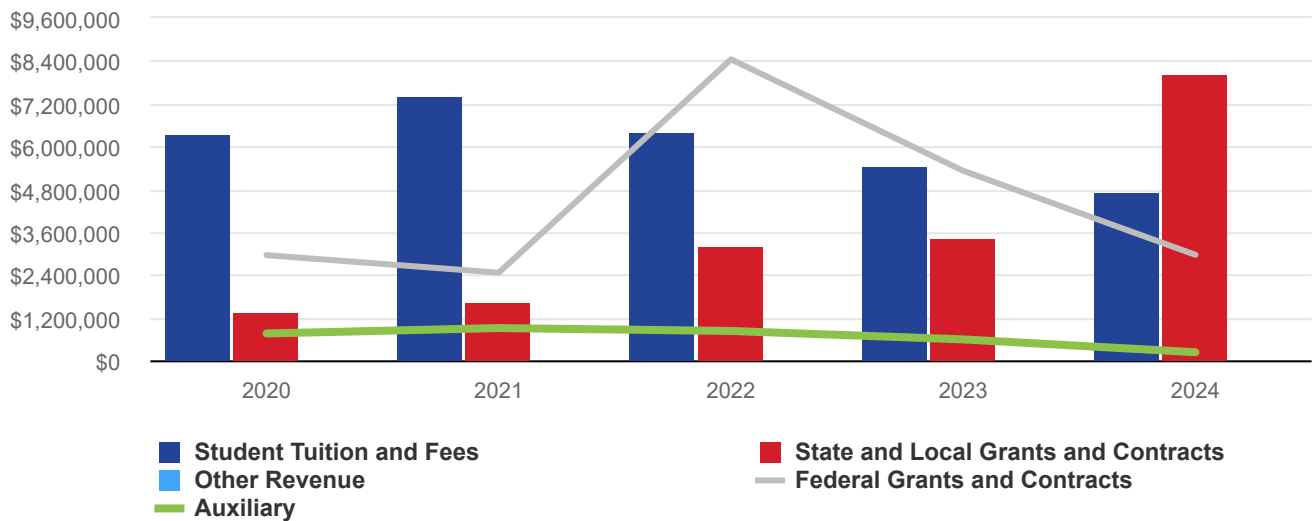
The following chart displays the 5 Year Comparison of Credit Hours for the fiscal year ended September 30, 2024.

**5 Year Comparison of Credit Hours**



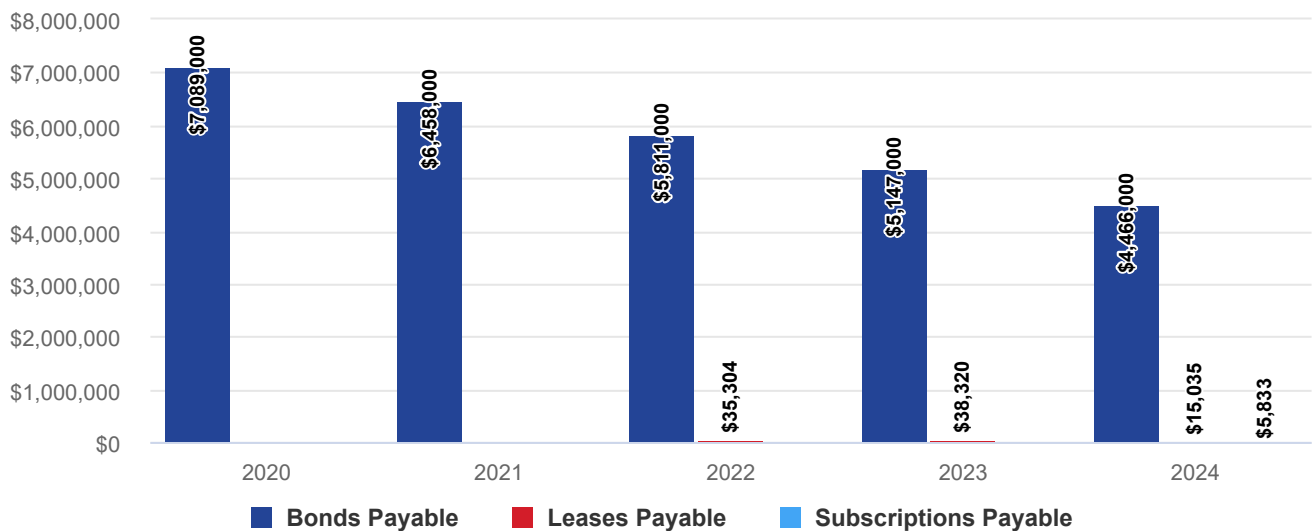
The following chart displays the 5 Year Comparison of Operating Revenues for the fiscal year ended September 30, 2024.

### 5 Year Comparison of Operating Revenue



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

### 5 Year Comparison of Long-Term Debt Principal



## Statement of Cash Flows

The 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 non-operating activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital 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.

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

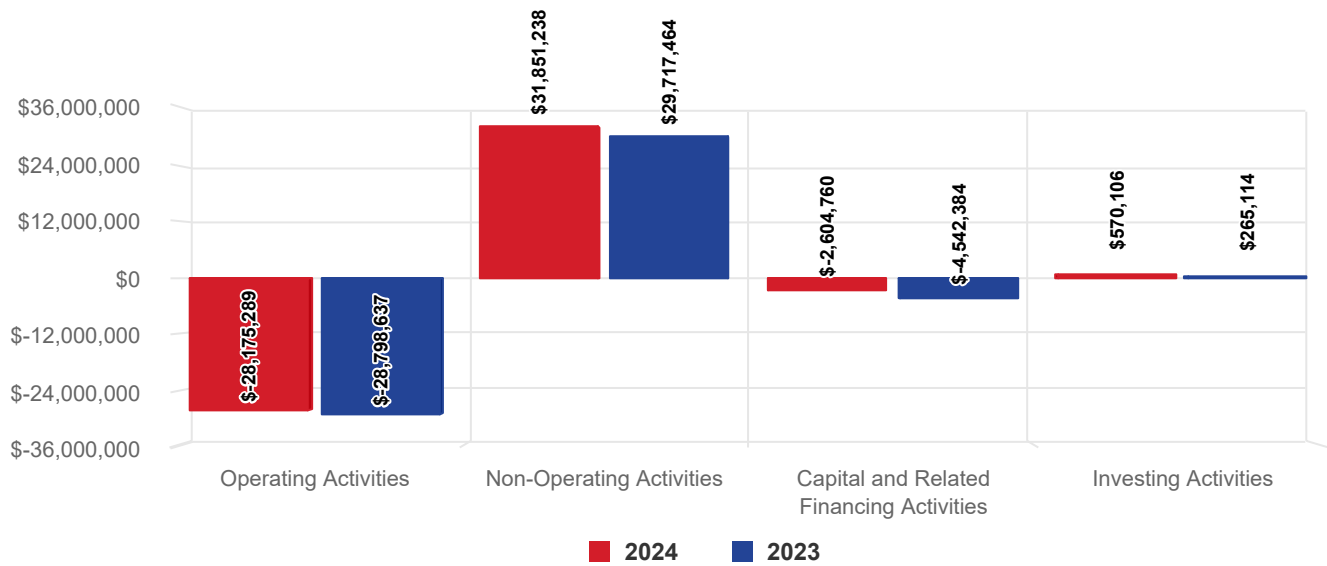
## Statement of Cash Flows

	<u>2024</u>	<u>2023</u>
<b>Cash Provided by (Used in):</b>		
Operating Activities	\$ (28,175,289)	\$ (28,798,637)
Non-Operating Activities	31,851,238	29,717,464
Capital and Related Financing Activities	(2,604,760)	(4,542,384)
Investing Activities	570,106	265,114
	<u>1,641,295</u>	<u>(3,358,443)</u>
Net Change in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning of Year	<u>14,383,093</u>	<u>17,741,536</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 16,024,388</b></u>	<u><b>\$ 14,383,093</b></u>



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

### Statement of Cash Flows



### Economic Outlook

The economic forecast for the 2024-2025 fiscal year predicts slow economic growth and a low unemployment rate. The College’s fall 2023 credit hour production remained almost flat compared to fall 2022. Alabama’s unemployment rate for September, 2022 was 2.5% 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 2023- 2024 as for fiscal year 2022-2023. 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 statement 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.



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# Financial Statements

ANNUAL FINANCIAL REPORT  
WALLACE COMMUNITY COLLEGE - DOTHAN





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## Statement of Net Position September 30, 2024

	<u>2024</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 16,024,388
Short-term Investments	20,762,966
Accounts Receivable, Net	9,813,445
Inventories	45,782
<b>Total Current Assets</b>	<u>46,646,581</u>
<b>Non-Current Assets</b>	
Endowment Investments	119,827
Capital Assets, Net of Depreciation and Amortization	38,081,773
<b>Total Non-Current Assets</b>	<u>38,201,600</u>
<b>Total Assets</b>	<u>84,848,181</u>
<b>Deferred Outflows of Resources</b>	
Deferred Outflows Related to Pension	9,585,000
Deferred Outflows Related to OPEB	4,105,161
<b>Total Deferred Outflows of Resources</b>	<u>\$ 13,690,161</u>

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



## Statement of Net Position (Continued)

### September 30, 2024

	<u>2024</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Deposits Held for Others	\$ 404,095
Accounts Payable and Accrued Liabilities	1,440,247
Bond Fee Surety Payable	12,884
Unearned Revenue	3,460,681
Compensated Absences	32,666
Lease Liabilities, Due in One Year	12,672
Subscriptions Liabilities, Due in One Year	5,833
Bonds Payable, Due in One Year	698,000
<b>Total Current Liabilities</b>	<u><b>6,067,078</b></u>
<b>Non-Current Liabilities</b>	
Compensated Absences	880,013
Lease Liabilities	2,363
Bonds Payable	3,768,000
Net Pension Liability	36,982,000
Net OPEB Liability	3,425,244
<b>Total Non-Current Liabilities</b>	<u><b>45,057,620</b></u>
<b>Total Liabilities</b>	<u><b>51,124,698</b></u>
<b>Deferred Inflows of Resources</b>	
Deferred Inflows Related to Pension	2,137,000
Deferred Inflows Related to OPEB	10,907,625
<b>Total Deferred Inflows of Resources</b>	<u><b>13,044,625</b></u>
<b>Net Position</b>	
Net Investment in Capital Assets	33,594,797
Restricted for:	
Debt Service	1,531,221
Scholarships and Fellowships	206,372
Other	4,282,424
Unrestricted (deficit)	(5,245,795)
<b>Total Net Position</b>	<u><u><b>\$ 34,369,019</b></u></u>

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

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

	<u>2024</u>
<b>Operating Revenues</b>	
Student Tuition and Fees (net of scholarship allowances of \$9,751,747)	\$ 4,713,121
Federal Grants and Contracts	2,957,998
State and Local Grants and Contracts	8,000,300
Nongovernmental Grants and Contracts	10,560
Sales and Services of Educational Departments	5,427
Auxillary Enterprises	
Bookstore	199,867
Vending	18,043
Farm Activities	8,650
<b>Total Operating Revenues</b>	<u><b>15,913,966</b></u>
<b>Operating Expenses</b>	
Instruction	20,123,679
Institutional Support	6,866,906
Academic Support	2,493,247
Student Services	5,322,981
Operation and Maintenance	3,814,605
Scholarships and Financial Aid	4,308,567
Depreciation and Amortization	2,930,286
Auxillary Enterprises	
<b>Total Operating Expenses</b>	<u><b>45,860,271</b></u>
<b>Operating Income (Loss)</b>	<u><b>\$ (29,946,305)</b></u>

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

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

	<u>2024</u>
<b>Non-Operating Revenues (Expenses)</b>	
State Appropriations	\$ 20,891,059
Federal Grants	10,899,336
Endowment Income	37,580
Investment Income	1,632,493
Unrealized Loss on Investments	(15,894)
Capital Grants, Contracts, and Gifts	37,947
Bond Surety Fee Expense	(82,139)
Other Non-Operating Revenues (Expenses)	141,740
Interest Expense	(126,575)
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>33,415,547</u></b>
<b>Net Increase (Decrease) in Net Position</b>	<b><u>3,469,242</u></b>
Net Position, Beginning of Year	30,760,228
Prior Period Adjustment - See Note 11	139,549
Net Position, Beginning of Year (as restated)	30,899,777
<b>Net Position, End of Year</b>	<b><u>\$ 34,369,019</u></b>

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

## Statement of Cash Flows

### For the Years Ended September 30, 2024

	<u>2024</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received for Tuition and Fees	\$ 4,784,892
Cash Received for Grants and Contracts	9,369,891
Cash Payments to Suppliers for Goods and Services	(8,823,069)
Cash Payments for Utilities	(1,078,748)
Cash Payments to Employees	(21,660,104)
Cash Payments for Employee Benefits	(6,699,028)
Cash Payments for Scholarships	(4,308,567)
Cash Received from Auxiliary Enterprise Charges	
Bookstore	199,867
Vending	18,043
Farm Activities	8,650
Other Receipts	12,884
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><b>(28,175,289)</b></u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Cash Received from State Appropriations	20,891,059
Cash Received from Federal Grants	10,899,336
Cash Payments for Bond Surety Fees	(80,897)
Cash Received from Other Non-Capital Financing	141,740
<b>Net Cash Provided by (Used in) Non-Capital Financing Activities</b>	<u><b>31,851,238</b></u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	(1,762,239)
Principal Paid on Capital Debt and Leases	(715,946)
Interest Paid on Capital Debt and Leases	(126,575)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u><b>(2,604,760)</b></u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sales and Maturities of Investments	19,798,720
Investment Income	1,654,179
Purchase of Investments	(20,882,793)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u><b>570,106</b></u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u><b>1,641,295</b></u>
Cash and Cash Equivalents, Beginning of Year	<u>14,383,093</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 16,024,388</b></u>

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

## Statement of Cash Flows (Continued)

### For the Years Ended September 30, 2024

	<u>2024</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provide by (Used in) Operating Activities</b>	
Operating Income (Loss)	\$ (29,946,305)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	2,930,286
Change in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources	
(Increase) Decrease in Assets and Deferred Outflows of Resources	
Receivables, Net	(1,598,967)
Inventory	7,619
Other Assets	7,457
Deferred Outflows of Resources	3,801,223
Increase (Decrease) in Liabilities and Deferred Inflows of Resources	
Accounts Payable and Accrued Liabilities	(338,694)
Unearned Revenue	(112,427)
Compensated Absences	55,626
Net Pension Liability	(76,000)
Net OPEB Liability	(79,300)
Deferred Inflows of Resources	(3,010,005)
Other Liabilities	184,198
<b>Total Adjustments</b>	<b>1,771,016</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (28,175,289)</b>

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

## Wallace Community College Foundation

Statement of Financial Position – Discretely Presented Component Unit  
For the Year Ended December 31, 2023

	<u>2023</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 119,160
Short-term Investments	10,625,835
Accounts Receivable, Net	143,406
<b>Total Current Assets</b>	<u>10,888,401</u>
<b>Non-Current Assets</b>	
Endowment Investments	
<b>Total Assets</b>	<u>10,888,401</u>
<b>Deferred Outflows of Resources</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Non-Current Liabilities</b>	
<b>Deferred Inflows of Resources</b>	
<b>Net Position</b>	
Restricted for:	
Donor Restrictions	8,044,614
Unrestricted (deficit)	2,843,787
<b>Total Net Position</b>	<u>\$ 10,888,401</u>

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

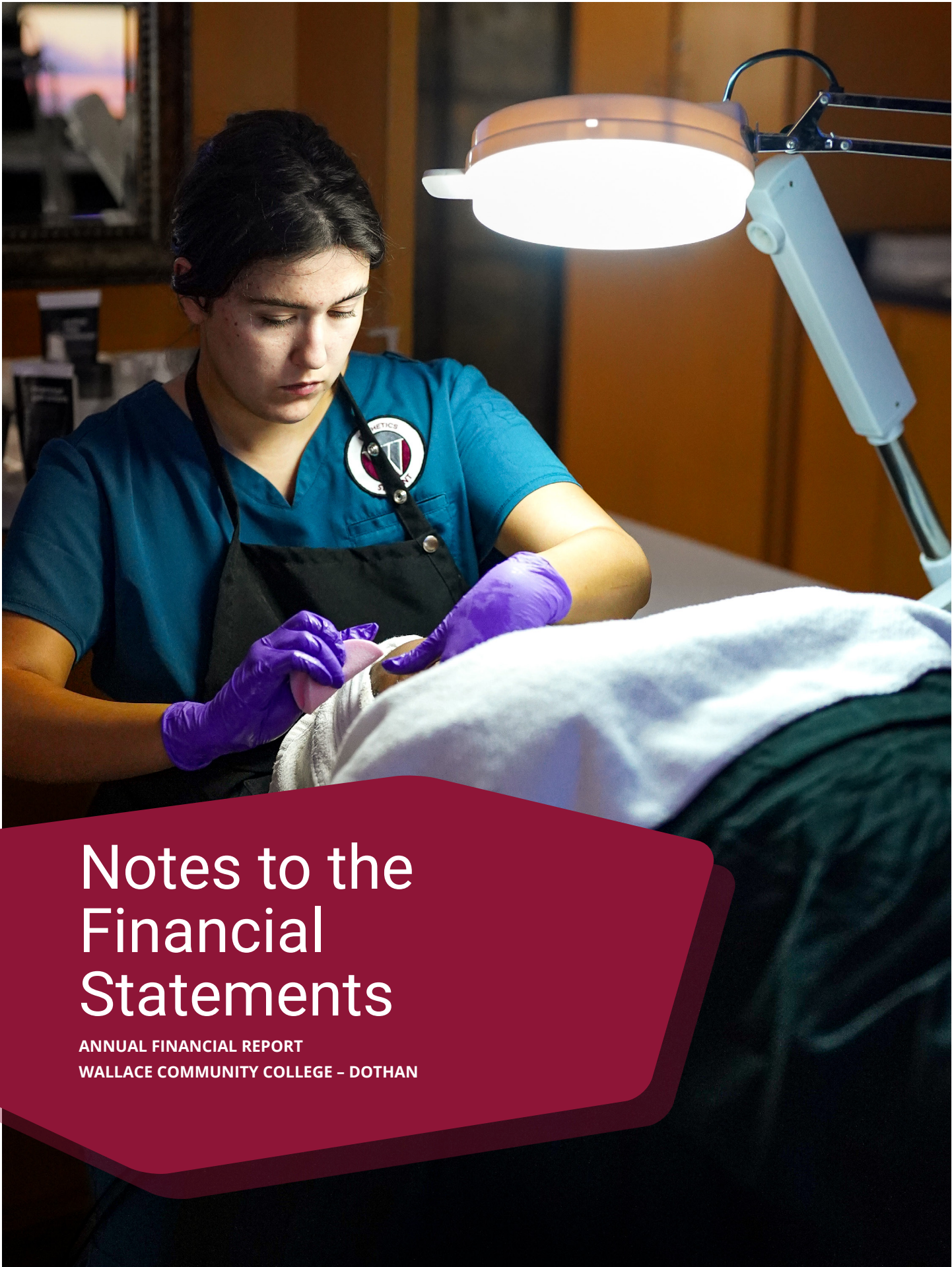
## Wallace Community College Foundation

### Statement of Activities- Discretely Presented Component Unit For the Year Ended December 31, 2023

	<u>2023</u>
<b>Operating Revenues</b>	
Contributions	\$ 434,867
Special Events	132,396
<b>Total Operating Revenues</b>	<u>567,263</u>
<b>Operating Expenses</b>	
Operation and Maintenance	61,186
Scholarships and Financial Aid	250,021
Advancement	34,095
Bookstore	
Other Operating Expense	65,719
<b>Total Operating Expenses</b>	<u>411,021</u>
<b>Operating Income (Loss)</b>	<u>156,242</u>
<b>Non-Operating Revenues (Expenses)</b>	
Other Non-Operating Revenues (Expenses)	19,568
Interest Expense	1,407,322
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,426,890</u>
<b>Net Increase (Decrease) in Net Position</b>	<u>1,583,132</u>
Net Position, Beginning of Year	9,305,269
<b>Net Position, End of Year</b>	<u>\$ 10,888,401</u>

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





# Notes to the Financial Statements

ANNUAL FINANCIAL REPORT  
WALLACE COMMUNITY COLLEGE - DOTHAN





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## Note 1. Summary of Significant Accounting Policies

### Nature of Operations

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. GASB 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.

### Component Units

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 non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the College. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the College's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations, gifts, and Pell grants.

### **Accounting 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.

### **Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 15, 2025, 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.

### **Cash, Cash Equivalents, and Investments**

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.

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, 2024, investments for the College consist of certificates of deposit and are reported at amortized cost.

### **Receivables**

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

### **Capital Assets**

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

assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. 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.

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:

Assets	Depreciation Method	Useful Lives
Buildings	Straight Line	50 years
Building Alterations	Straight Line	25 years
Improvements other than Buildings and Infrastructure	Straight Line	25 years
Furniture and Equipment	Straight Line	5-10 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 of Resources and Deferred 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.

### **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 Tuition and Fee 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.

### **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.

### **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 GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

### Postemployment Benefits Other than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "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.

### 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** – 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** – 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** – 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.

### Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

### New Accounting Pronouncements

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

## Note 2. Deposits and Investments

### Deposits

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

### Investments

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

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the 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.
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 an adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
  - c) the College has entered into signed contracts with all approved counterparties.
7. The College has discretion to determine if it should hold or sell other investments that it may receive as a donation.

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

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

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

**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 150: *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 3. Receivables

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

<b>Description</b>	<b>Amount</b>
Federal Grants and Contracts	\$ 6,338,377
Tuition and Fees	2,251,104
State Grants and Contracts	2,847,896
Third-Party	301,726
Agency	62,928
Other	95,717
Less: Allowance for Doubtful Accounts	(2,084,303)
<b>Total Accounts Receivable</b>	<b><u>\$ 9,813,445</u></b>

## Note 4. Capital Assets

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

Description	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 842,817	\$ -	\$ -	\$ -	\$ 842,817
Construction in Progress	1,378,385	433,577	(1,790,416)	139,549	161,095
<b>Total Nondepreciable Capital Assets</b>	<b>2,221,202</b>	<b>433,577</b>	<b>(1,790,416)</b>	<b>139,549</b>	<b>1,003,912</b>
<b>Other Capital Assets</b>					
Buildings	38,391,796	-	-	-	38,391,796
Building Alterations	18,598,502	1,790,417	-	-	20,388,919
Improvements other than Buildings and Infrastructure	5,637,982	-	-	-	5,637,982
Furniture and Equipment greater than \$25,000	7,708,797	605,673	(26,490)	-	8,287,980
Furniture and Equipment \$25,000 or less	6,615,594	760,306	-	-	7,375,900
Library Materials	659,821	16,524	(26,217)	-	650,128
Right to Use Assets - Buildings and Equipment	75,623	-	-	-	75,623
Right to Use Assets - Software Subscriptions	17,305	5,979	-	-	23,284
<b>Total Other Capital Assets</b>	<b>77,705,420</b>	<b>3,178,899</b>	<b>(52,707)</b>	<b>-</b>	<b>80,831,612</b>
<b>Less Accumulated Depreciation/Amortization</b>					
Buildings	16,516,129	614,390	-	-	17,130,519
Building Alterations	11,246,170	815,557	-	-	12,061,727
Improvements other than Buildings and Infrastructure	2,965,411	182,902	-	-	3,148,313
Furniture and Equipment greater than \$25,000	4,253,706	565,511	(10,596)	-	4,808,621
Furniture and Equipment \$25,000 or less	5,300,487	688,416	-	-	5,988,903
Library Materials	535,873	32,506	(26,216)	-	542,163
Right to Use Assets - Buildings and Equipment	36,760	23,204	-	-	59,964
Right to Use Assets - Software Subscriptions	5,742	7,799	-	-	13,541
<b>Total Accumulated Depreciation/Amortization</b>	<b>40,860,278</b>	<b>2,930,285</b>	<b>(36,812)</b>	<b>-</b>	<b>43,753,751</b>
<b>Total Capital Assets, Net</b>	<b>\$ 39,066,344</b>	<b>\$ 682,191</b>	<b>\$ (1,806,311)</b>	<b>\$ 139,549</b>	<b>\$ 38,081,773</b>

## Note 5. Defined Benefit Pension Plan



## General Information about the Pension Plan

### Plan Description

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

### Benefits Provided

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

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

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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

## Contributions

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

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the College were \$2,468,000 for the year ended September 30, 2024.

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

At September 30, 2024, the College reported a liability of \$36,982,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2023, the College's proportion was 0.231748%, which was a decrease of 0.006709% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized pension expense of \$5,155,652. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 3,307,000	\$ 499,000
Changes of Assumptions	1,040,000	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,536,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	234,000	1,638,000
Employer Contributions Subsequent to the Measurement Date	2,468,000	-
<b>Total</b>	<b>\$ 9,585,000</b>	<b>\$ 2,137,000</b>

\$2,468,000 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, 2025.

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

Year Ended September 30	Amount
2025	\$ 1,706,000
2026	922,000
2027	2,560,000
2028	(208,000)
2029	-
Thereafter	-

**Actuarial Assumptions**

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

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

\* Net of pension plan investment expense, including inflation

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

**Mortality Rate**

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

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

### Long-Term Expected Rate of Return

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

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

\* Includes assumed rate of inflation of 2.00%.

### Discount Rate

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
College’s Proportionate Share of the Collective Net Pension Liability	\$ 48,313,000	\$ 36,982,000	\$ 27,452,000

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**Note 6. Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan**

**Plan Description**

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

The PEEHIP was established in 1983 pursuant to the provisions of the **Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455)** to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the



establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The **Code of Alabama 1975, Section 16-25A-4** provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the Alabama Retired Education Employees' Health Care Trust are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

### Benefits Provided

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

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

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

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

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

### Contributions

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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

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

At September 30, 2024, the College reported a liability of \$3,425,244 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2022. The College's proportion of the Net OPEB liability was based on College's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2023, the College's proportion was 0.178199% which was a decrease of 0.022929% from its proportion measured as of September 30, 2022.

For the year ended September 30, 2024, the College recognized an OPEB expense of (\$2,040,082), with no special funding situations. At September 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected and Actual Experience	\$ 66,975	\$ 5,404,934
Changes of Assumptions	2,885,650	3,388,492
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	117,000	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	786,347	2,114,199
Employer Contributions Subsequent to the Measurement Date	249,189	-
<b>Total</b>	<b>\$ 4,105,161</b>	<b>\$ 10,907,625</b>

The \$249,189 reported as deferred outflows of resources related to OPEB resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2025.

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

<b>Year Ended September 30</b>	<b>Amount</b>
2025	\$ (2,353,341)
2026	(1,272,648)
2027	(1,135,270)
2028	(1,384,549)
2029	(860,601)
Thereafter	(45,244)

**Actuarial Assumptions**

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

Inflation	2.50%
Salary Increases	5.00 - 3.25%, including 2.75% wage inflation
Long-term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	7.00%
Healthcare Cost Trend Rates:	
Initial Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

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

**Mortality Rate**

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

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

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

### Long-Term Expected Rate of Return

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

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

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

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

\* Geometric mean, includes 2.50% inflation.

### Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly

employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members are projected through 2121.

**Sensitivity of the 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:

	<b>1% Decrease (6.00% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)</b>	<b>Current Healthcare Trend Rate (7.00% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)</b>	<b>1% Increase (8.00% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)</b>
Net OPEB Liability	\$ 2,596,298	\$ 3,425,244	\$ 4,431,752

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:

	<b>1% Decrease (6.00%)</b>	<b>Current Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Net OPEB Liability	\$ 4,228,457	\$ 3,425,244	\$ 2,741,605

**OPEB Plan Fiduciary Net Position**

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



## Note 7. Accounts Payable and Accrued Liabilities

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

Description	Amount
Salaries and Wages	\$ 930,936
Benefits	(1,906)
Supplies and Vendors	511,217
<b>Total</b>	<b><u>\$ 1,440,247</u></b>

## Note 8. Commitments and Contingencies

As of September 30, 2024, 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 total for these grants is \$4,404,647.

The College has active construction projects as of September 30, 2024. At year-end, the College's commitments with contractors are as follows:

Construction Contracts	Contract Amount	Amount Expended/ Remaining
Dale Medical Center	\$ 1,556,493	\$ 1,556,493
Workforce Development	29,400,000	\$ 29,400,000
<b>Total Outstanding Commitments</b>	<b><u>\$ 30,956,493</u></b>	<b><u>\$ 30,956,493</u></b>

## Note 9. Long Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds Payable</b>					
Revenue Bonds	\$ 5,147,000	\$ -	\$ 681,000	\$ 4,466,000	\$ 698,000
<b>Total Bonds Payable</b>	<b><u>5,147,000</u></b>	<b><u>-</u></b>	<b><u>681,000</u></b>	<b><u>4,466,000</u></b>	<b><u>698,000</u></b>
Leases Payable	38,320	-	23,285	15,035	12,672
Subscriptions Payable	11,515	5,979	11,661	5,833	5,833
Compensated Absences	857,053	55,626	-	912,679	32,666
<b>Total Long-Term Liabilities</b>	<b><u>\$ 6,053,888</u></b>	<b><u>\$ 61,605</u></b>	<b><u>\$ 715,946</u></b>	<b><u>\$ 5,399,547</u></b>	<b><u>\$ 749,171</u></b>

## 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.

The following is a schedule of the bond payable for the year ended September 30, 2024:

Year Ending September 30,	Bonds Payable		
	Principal	Interest	Total
2025	\$ 698,000	\$ 114,330	\$ 812,330
2026	716,000	96,461	812,461
2027	734,000	78,131	812,131
2028	753,000	59,341	812,341
2029	1,565,000	60,339	1,625,339
2030-2034	-	-	-
2035-2039	-	-	-
2040-2044	-	-	-
2045-2049	-	-	-
2050-2054	-	-	-
<b>Total</b>	<b>4,466,000</b>	<b>408,602</b>	<b>4,874,602</b>
Current Portion	698,000	114,330	812,330
<b>Payable After One Year</b>	<b>\$ 3,768,000</b>	<b>\$ 294,272</b>	<b>\$ 4,062,272</b>

## Pledged Revenues

Future revenues in the approximate amount of \$4,874,602 are pledged to repay the principal and interest on the bonds at September 30, 2024. Pledged revenues in the amount of \$12,607,148 were received during the fiscal year ended September 30, 2024, with \$812,763 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:

The elements of this calculation are as follows:

Description	Amount
Capital Assets (Net)	\$ 38,081,773
Outstanding Debt Related to Capital Assets	(4,486,868)
Adjustments	(108.00)
<b>Net Investment in Capital Assets</b>	<b><u>\$ 33,594,797</u></b>

### Leases Payable

As of 9/30/2024, George C Wallace Community College, AL had 7 active leases. The leases have payments that range from \$839 to \$8,040 and interest rates that range from 1.0350% to 2.1570%. As of 9/30/2024, the total combined value of the lease liability is \$15,035, the total combined value of the short-term lease liability is \$12,672. The combined value of the right to use asset, as of 9/30/2024 of \$75,623 with accumulated amortization of \$59,964 is included within the Lease Class activities table found below. The leases had \$0 of Variable Payment and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

The following is a schedule of the lease obligations for the year ended September 30, 2024:

Year Ending September 30,	Lease Obligations		
	Principal	Interest	Total
2025	\$ 12,672	\$ 110	\$ 12,782
2026	1,740	27	1,767
2027	623	7	630
2028	-	-	-
2029	-	-	-
2030-2034	-	-	-
2035-2039	-	-	-
2040-2044	-	-	-
2045-2049	-	-	-
2050-2054	-	-	-
<b>Total</b>	<b><u>15,035</u></b>	<b><u>144</u></b>	<b><u>15,179</u></b>
Current Portion	12,672	110	12,782
<b>Payable After One Year</b>	<b><u>\$ 2,363</u></b>	<b><u>\$ 34</u></b>	<b><u>\$ 2,397</u></b>

### Subscription-Based Information Technology Arrangements

For the year ended September 30, 2024, 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.

As of 09/30/2024, George C. Wallace Community College, AL had 3 active subscriptions. The subscriptions have payments that range from \$230 to \$5,988 and interest rates that range from 2.5700% to 3.0670%. As of 09/30/2024, the total combined value of the subscription liability is \$5,833, and the total combined value of the short-term subscription liability is \$5,833. The combined value of the right to use asset, as of 09/30/2024 of \$23,284 with accumulated amortization of \$13,541 is included within the Subscription Class activities table found below. The subscriptions had \$0 of Variable Payments and \$0 of Other Payments, not included in the Subscription Liability, within the Fiscal Year.

The following is a schedule of the subscription obligations for the year ended September 30, 2024:

Year Ending September 30,	Subscriptions Payable		
	Principal	Interest	Total
2025	\$ 5,833	\$ 155	\$ 5,988
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030-2034	-	-	-
2035-2039	-	-	-
2040-2044	-	-	-
2045-2049	-	-	-
2050-2054	-	-	-
<b>Total</b>	<b>5,833</b>	<b>155</b>	<b>5,988</b>
Current Portion	5,833	155	5,988
<b>Payable After One Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Note 10. 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 11. Prior Period Adjustments

The College categorized too many funds in the PY for the library improvement. As such, a prior period adjustment of 32,484 was recorded to appropriately correct the CIP account. The College also receipted a PY CIP expense to contractual services. This PPA of \$107,065 is necessary to correct the CIP account. The total cumulative effect of the prior period adjustments noted above are \$139,549.



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A photograph of three men in a professional setting, likely an office or design studio. They are gathered around a light table, which is illuminated from below, showing architectural blueprints. The man on the left is older, with grey hair and a beard, wearing a grey blazer over a light blue shirt. The man in the center is middle-aged with dark hair, wearing a light green polo shirt. The man on the right is younger, with dark hair, wearing a green polo shirt. They are all looking down at the plans with interest and concentration. The background is slightly blurred, showing office furniture and equipment.

# Required Supplementary Information

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## Schedule of the Employer’s Proportionate Share of the Net Pension Liability Teachers’ Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College’s Proportion of the Net Pension Liability	0.231748%	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	\$ 36,982	\$ 37,058	\$ 23,561	\$ 31,704	\$ 27,115	\$ 25,492	\$ 25,239	\$ 27,684	\$ 26,737	\$ 22,427
College’s Covered Payroll	\$ 19,170	\$ 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	193.00%	202.00%	130.00%	175.00%	155.00%	148.00%	149.00%	170.00%	165.00%	143.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

**Notes to schedule:**

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

## Schedule of the Employer's Contributions - Pension Teachers' Retirement Plan of Alabama For the Year Ended September 30

(Dollar Amounts in Thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 2,468	\$ 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	\$ 2,468	\$ 2,336	\$ 2,223	\$ 2,188	\$ 2,210	\$ 2,132	\$ 2,068	\$ 2,010	\$ 1,922	\$ 1,827
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's Covered Payroll	\$ 20,165	\$ 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	12.24%	12.19%	12.09%	12.07%	12.19%	12.20%	12.03%	11.84%	11.83%	11.30%

### Notes to Schedule

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

Note 2: The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's 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.



## Notes to Required Supplementary Information for Pension Benefits

### Note 1. Changes of Benefit Terms

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

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

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

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

### Note 2. Changes of Assumptions

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

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

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

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

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

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



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

<b>(Dollar Amounts in Thousands)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
College’s Proportion of the Net OPEB Liability	0.178199%	0.201128%	0.186545%	0.188333%	0.216421%	0.214058%	0.209598%
College’s Proportionate Share of the Net OPEB Liability	\$ 3,425,244	\$ 3,504,544	\$ 9,638,432	\$ 12,222,550	\$ 8,165,092	\$ 17,592,841	\$ 15,567,742
College’s Covered Payroll	\$ 18,312,765	\$ 17,631,505	\$ 17,120,526	\$ 17,539,544	\$ 17,176,587	\$ 16,759,894	\$ 16,599,227
College’s Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	18.70%	19.88%	56.30%	69.69%	47.54%	104.97%	93.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

**Schedule of the Employer’s Contributions - Other Postemployment Benefits (OPEB)  
Alabama Retired Employees’ Health Care Trust  
For the Year Ended September 30\***

<b>(Dollar Amounts in Thousands)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contribution	\$ 249,189	\$ 278,712	\$ 382,735	\$ 323,777	\$ 371,191	\$ 616,314	\$ 527,825
Contributions in Relation to the Contractually Required Contribution	\$ 249,189	\$ 278,712	\$ 382,735	\$ 323,777	\$ 371,191	\$ 616,314	\$ 527,825
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College’s Covered Payroll	\$ 19,290,051	\$ 18,312,765	\$ 17,631,505	\$ 17,120,526	\$ 17,539,544	\$ 17,176,587	\$ 16,759,894
Contributions as a Percentage of Covered Payroll	1.29%	1.52%	2.17%	1.89%	2.12%	3.59%	3.15%

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

## Notes to Required Supplementary Information For Other Postemployment Benefits (OPEB)

### Note 1. Changes in Actuarial Assumptions

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

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

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

### Note 2. Recent Plan Changes

The 9/30/2022 valuation reflects the impact of Act 2022-222.

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

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

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2020, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible *	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

# Supplementary Information

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Student Financial Assistance Cluster</b>				
<b>Direct Programs</b>				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 10,911,891
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	184,615
Federal Work Study Program	84.033	N/A	-	154,286
<b>Subtotal Student Financial Assistance Cluster</b>			-	<b>11,250,792</b>
<b>TRIO Cluster</b>				
TRIO - Student Support Services	84.042	N/A	-	788,522
TRIO - Upward Bound	84.047	N/A	-	342,528
TRIO - Talent Search	84.044	N/A	-	318,325
<b>Subtotal for TRIO Cluster</b>			-	<b>1,449,375</b>
<b>Direct Program</b>				
Higher Education Institutional Aid	84.031	N/A	-	361,268
<b>Pass-Through Alabama State Department of Education</b>				
Career and Technical Education - Basic Grants to States	84.048	N/A	-	363,840
<b>Pass-Through Alabama Community College System</b>				
Adult Education - Basic Grants to States	84.002	N/A	-	374,668
<b>Total U.S. Department of Education</b>			-	<b>13,799,943</b>

**Schedule Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2024**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Labor</b>				
<b>WIOA Cluster</b>				
<b>Passed through Alabama Department of Commerce</b>				
WIOA Adult Program	17.258	N/A	\$ -	\$ 168,936
WIOA Youth Activities	17.259	N/A	-	4,150
WIOA Youth Activities	17.259	N/A	-	12,908
WIOA Dislocated Worker Formula Grants	17.278	N/A	-	17,325
<b>Subtotal WIOA Cluster</b>			<b>-</b>	<b>203,319</b>
<b>Direct Program</b>				
H-1B Job Training Grants	17.268	N/A	-	57,038
<b>Total U.S. Department of Labor</b>			<b>-</b>	<b>260,357</b>
<b>Total Federal Expenditures</b>			<b>\$ -</b>	<b>\$ 14,060,300</b>

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

## Notes to the Schedule of Expenditures of Federal Awards

### Note 1. Basis of 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 of expenditures of federal awards (the "Schedule") summarizes the federal expenditures of the College under programs of the federal government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

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, 2024, 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 non cash assistance for the fiscal year ended September 30, 2024.

#### **Note 8. Subrecipients**

The College did not provide federal funds to subrecipients for the fiscal year ended September 30, 2024.

#### **Note 9. Loans and Loan Guarantees**

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

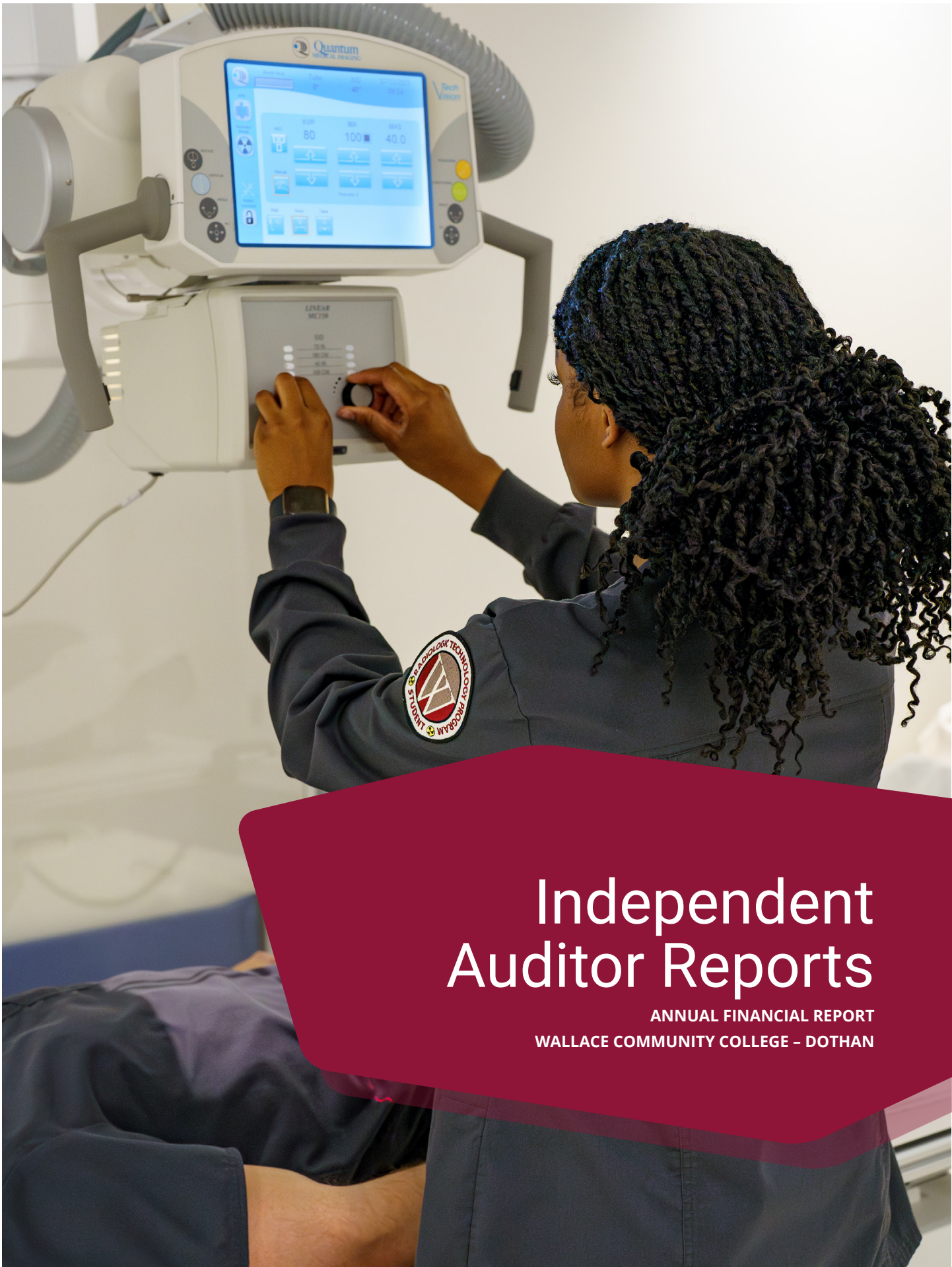
#### **Note 10. Federally Funded Insurance**

The College did not have any federally funded insurance required to be reported on the schedule for the fiscal year ended September 30, 2024.



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# Independent Auditor Reports

ANNUAL FINANCIAL REPORT  
WALLACE COMMUNITY COLLEGE - DOTHAN





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

Jimmy Baker, Chancellor – Alabama Community College System  
Mr. Keith Phillips, 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 George C. Wallace Community College, a component unit of the State of Alabama, and its discretely presented component unit, as of and for the year ended September 30, 2024, 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 15, 2025. 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*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with George C. Wallace Community College Foundation.

**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.

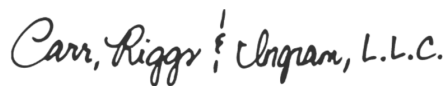
**Report on Compliance and Other Matters**

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.

Enterprise, Alabama

January 15, 2025



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

Jimmy Baker, Chancellor – Alabama Community College System  
 Mr. Keith Phillips, 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's compliance (the "College"), a component unit of the State of Alabama, with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2024. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal program as a whole.

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

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

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

#### Report on Internal Control over Compliance

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

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

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

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

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

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

Enterprise, Alabama

January 15, 2025

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

**Section I – Summary of Auditor's Results**

**Financial Statements**

- 1. Type of auditor’s 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 auditor’s report issued on compliance for major programs: Unmodified
- 2. Internal control over major federal programs:
  - a. Material weaknesses identified? No
  - b. Significant deficiencies identified not considered to be material weaknesses? None reported
- 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No
- 4. Identification of major programs:

Assistance Listing Number	Federal Program
84.063	Student Financial Assistance Cluster
84.007	Federal Pell Grant Program
84.033	Federal Supplemental Education Opportunity Grants
	Federal Work Study Program

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

**Section II – Financial Statements Findings**

No matters were reported.

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

No matters were reported.

**Section IV – Prior Findings and Questioned Costs for Federal Awards**

Item 2023-001 Allowable Costs/Activities – This item was corrected during the fiscal year ended September 30, 2024.



# Additional Information

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## **Listing of Officials**

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**Jimmy H. Baker**

Chancellor

**Dr. Linda C. Young**

President

**Marc Nicholas**

Dean of Business Affairs







WALLACE  
COMMUNITY  
COLLEGE

Dothan • Eufaula

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