Wallace State Community College
Hanceville, Alabama

FINANCIAL STATEMENTS

September 30, 2023

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REPORT

CRI CARR RIGGS & INGRAM
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INDEPENDENT AUDITORS' REPORT

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Vicki Karolewics, President – Wallace State Community College
Hanceville, Alabama

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College as of September 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

Reporting Entity

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

Change in Accounting Principle

As described in Note 14 of the financial statements, in 2023, the College adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Agreements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the College's Proportionate Share of the Collective Net Pension Liability, the Schedule of the College's Contributions – Pension, the Schedule of the College's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust, and the Schedule of the College's Contributions – Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees' Health Care Trust and the related notes to the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and note to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
January 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

WALLACE STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
(Unaudited)

Overview of the Financial Statements and Financial Analysis

In the accompanying documentation, Wallace State Community College - Hanceville presents its management's discussion and analysis of the College's financial activity for the fiscal year ending September 30, 2023. Three financial statements are presented: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position of the College as of the end of the fiscal year and 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 fiscal snapshot of Wallace State Community College. It presents end-of-year data concerning Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources and Net Position (Assets plus Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources).

Readers of the Statement of Net Position are able to determine from the data presented, the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the institution.

Net Position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the institution but must be spent as directed by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position which is available to the institution for any appropriate purpose of the institution.

Statement Of Net Position (thousands of dollars)		2023		2022
Assets				
Current Assets	$	34,125	$	29,537
Capital Assets, Net		112,663		113,433
Other Assets		3,178		6,598
Total Assets		149,966		149,568
Deferred Outflows				
Pensions		12,941		6,244
OPEB		5,182		4,631
Bond Refunding		452		512
Total Deferred Outflows		18,575		11,387
Liabilities				
Current Liabilities	$	13,364	$	11,804
Noncurrent Liabilities		67,561		61,395
Total Liabilities		80,925		73,199
Deferred Inflows				
Pensions		2,009		8,103
OPEB		14,875		10,281
Leases		364		406
Total Deferred Inflows		17,248		18,790
Net Position				
Net Investment in Capital Assets		85,411		84,621
Unrestricted		(15,043)		(15,655)
Total Net Position	$	70,368	$	68,966

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating; the expenses paid by the institution, operating and non-operating; and any other revenues, expenses, gains and losses received or spent by the institution. The following is the condensed Statement of Revenue, Expenses and Changes in Net Position comparing fiscal years 2023 and 2022 respectively:

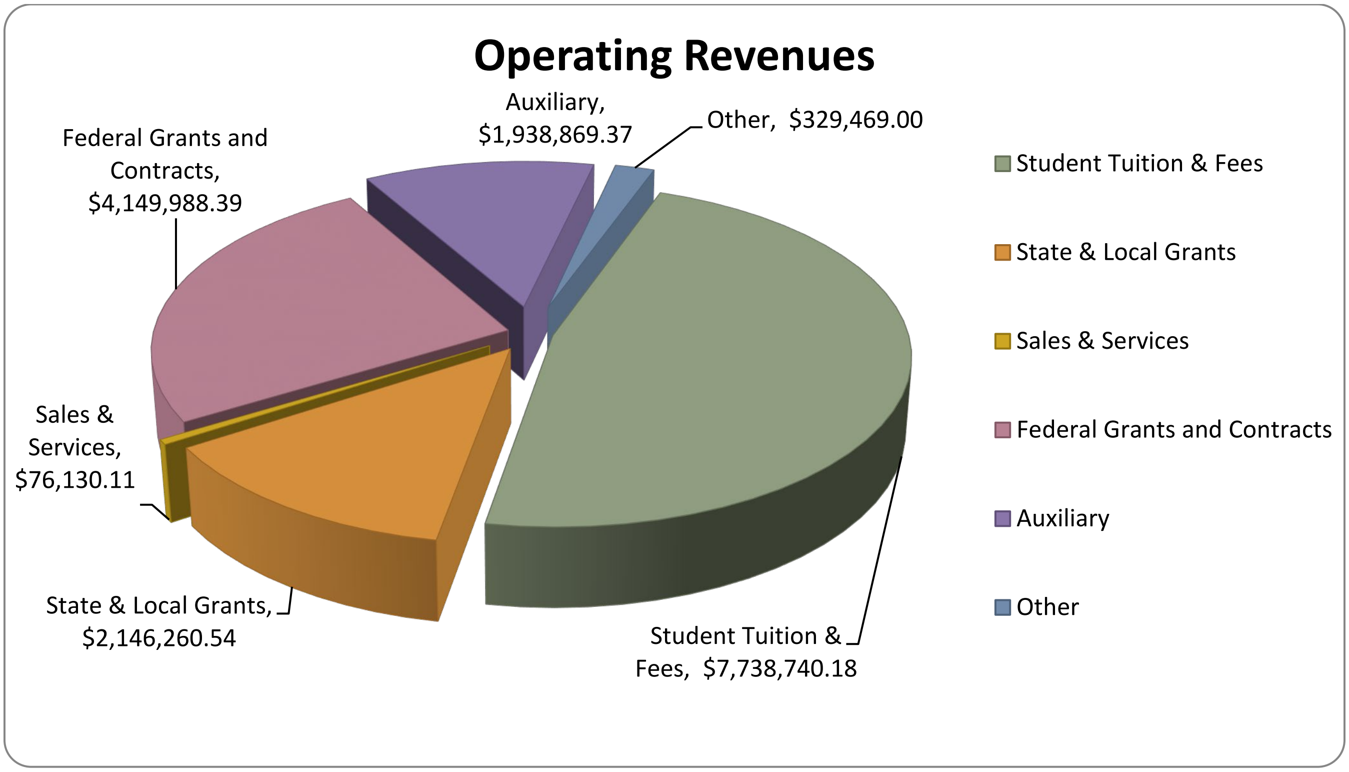
Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
For Year Ended September 30
(in thousands)

	2023 Amount	2022 Amount
Total Operating Revenues	$ 16,379.00	$ 21,215.00
Total Operating Expenses	$ 53,746.00	$ 57,513.00
Operating Income (Loss)	$ (37,367.00)	$ (36,298.00)
Net Non-Operating Revenues	$ 38,769.00	$ 43,819.00
Income before other Revenues, Expenses, Gains or Losses	$ 1,402.00	$ 7,521.00
Total Other Revenues (Expenses)	$ -	$ -
Net Increase (Decrease)	$ 1,402.00	$ 7,521.00
Net Position		
Net Position Beginning of Year	$ 68,966.00	$ 61,816.00
Restatements		$ (371.00)
Net Position- End of Year	$ 70,368.00	$ 68,966.00

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

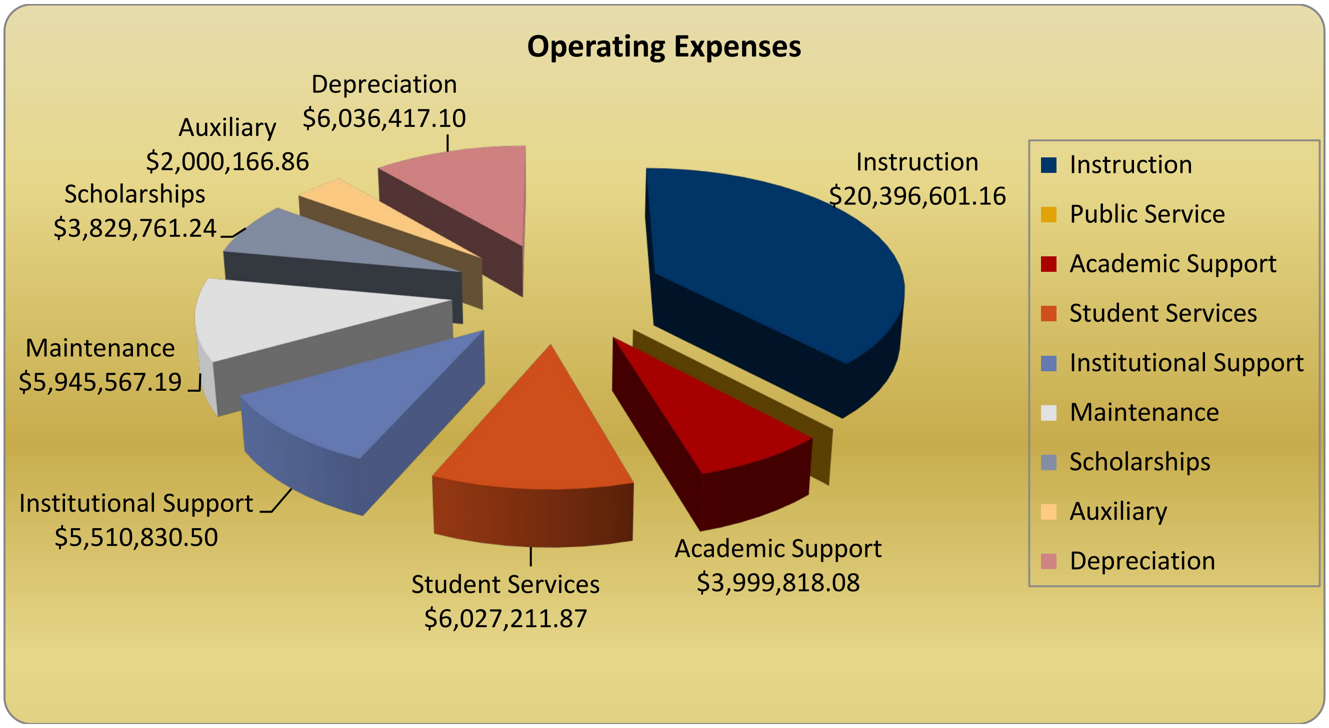
The Statement of Revenues, Expenses and Changes in Net Position, reflects an increase of 1.4 million for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are below.

Operating revenues by source are displayed in the following exhibit.



The above chart shows the operating revenues by type and their relationship with one another. Student Tuition & Fees represents the largest type of revenue followed by Federal Grants and Contracts. State and local grants and contracts also contribute significantly to the operating revenue.

Operating expenses by function are displayed in the following exhibit:



Instruction represents 38% of total operating expenses, making it the largest category of operating expenses.

Statement of Cash Flows

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

	2023	2022
Cash Provided (used) by:		
Operating Activities	$ (30,946,400.71)	$ (35,572,647.86)
Noncapital Financing Activities	38,479,213.15	44,713,787.80
Capital and Related Financing Activities	(7,386,555.60)	(10,640,098.86)
Investing Activities	26,765.12	(3,483,541.33)
Net Increase/Decrease in Cash	$ 173,021.96	$ (4,982,500.25)
Cash Beginning of the Year	11,105,244.05	16,087,744.30
Cash and Cash Equivalents End of Year	$ 11,278,266.01	$ 11,105,244.05

The primary cash receipts from operating activities consist of tuition and fees, and grants and contracts. Cash outlays include payments of wages, benefits, supplies, utilities and scholarships.

State appropriations are the primary source of non-operating activities. This source of revenue is categorized as non-operating even though the College's budget depends on this to continue the current level of operations. Federal Pell Grants are also significant non-operating revenue sources.

Investing activities reflect purchases, sales, and interest income earned on investments. Investments identified in the cash flow statement as investing activities include both short-term and long-term investments.

Capital and related financing activities include the purchases and construction of capital assets during the year, the College's annual bond payments consisting of principal and interest paid, along with deposits with trustees at year end.

Economic Outlook

The college completed the joint Welding Center and Business Incubator at its Hanceville Campus with an approximate cost of $9.2 million dollars. The college's enrollment continues to increase. The college is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the upcoming fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The College's overall financial position remains stable. The College anticipates the upcoming fiscal year will be similar to the last and will continue a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

FINANCIAL STATEMENTS

September 30, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 11,278,266
Short-term investments	11,093,032
Accounts receivable (net of allowance for doubtful accounts)	11,030,388
Inventories	530,078
Deposit with bond trustee	7,986
Other current assets	184,723
Total current assets	34,124,473
Noncurrent assets	
Long-term investments	2,856,322
Lease receivable, net of current portion	321,903
Capital assets	
Land	2,807,235
Improvements other than buildings	10,490,133
Buildings and building alterations	146,370,677
Equipment and furniture	25,437,331
Art collections	9,057,485
Library holdings	3,083,263
Construction in progress	681,906
Right-to-use lease assets	552,586
Right-to-use subscription assets	336,722
Less accumulated depreciation and amortization	(86,154,173)
Total capital assets, net of depreciation	112,663,165
Total noncurrent assets	115,841,390
Total assets	149,965,863
Deferred Outflows of Resources	
Loss on bond refunding	451,657
Pension	12,941,013
Other postemployment benefit (OPEB)	5,181,789
Total deferred outflow of resources	18,574,459

(Continued)

September 30, 2023		
Liabilities		
Current liabilities		
Deposits	$	634,745
Accounts payable and accrued liabilities		3,113,588
Bond surety fee payable		43,210
Unearned revenue		6,527,523
Compensated absences		664,139
Lease payable		166,712
Subscription payable		42,955
Bonds payable		2,171,310
Total current liabilities		13,364,182
Noncurrent Liabilities		
Compensated absences		601,374
Lease payable		370,882
Subscription payable		45,424
Bonds payable		24,813,304
Net pension		37,949,000
Net OPEB liability		3,780,797
Total noncurrent liabilities		67,560,781
Total liabilities		80,924,963
Deferred Inflows of Resources		
Leases		363,558
Pensions		2,009,000
Other postemployment benefit (OPEB)		14,874,529
Total deferred inflow of resources		17,247,087
Net Position		
Net investment in capital assets		85,410,956
Unrestricted (deficit)		(15,042,684)
Total net position	$	70,368,272

Wallace State Community College
Statement of Revenues, Expenses and Changes in Net Position
Exhibit 2

For the year ended September 30, 2023

Operating Revenues	
Student tuition and fees (net of scholarship allowances of $10,949,792)	$ 7,738,740
Federal grants and contracts	4,149,988
State grants and contracts	2,133,927
Local grants and contracts	12,334
Sales and services of educational departments	76,130
Other operating revenues	329,469
Auxiliary enterprises (net of scholarship allowances of $196,532)	
Bookstore	311,925
Housing	350,878
Vending	154,300
Food service	119,432
Other	1,002,335
Total operating revenues	16,379,458
Operating Expenses	
Instruction	20,396,601
Academic support	3,999,818
Student services	6,027,212
Institutional support	5,510,831
Operation and maintenance	5,945,567
Scholarships and financial aid	3,829,761
Auxiliary enterprises	2,000,167
Depreciation and amortization	6,036,417
Total operating expenses	53,746,374
Operating Income (Loss)	(37,366,916)
Nonoperating Revenues (Expenses)	
State appropriations - O&M	23,571,556
State appropriations -special	335,500
Federal grants and contracts	14,322,564
Investment income	205,372
Realized gain/(loss) on investments	(20,324)
Unrealized gain/(loss) on investments	273,076
Noncash gifts/revenues	61,361
Other nonoperating revenues	718,341
Interest expense	(566,986)
Other nonoperating expenses	(2,000)
Bond surety fee expense	(129,468)
Total nonoperating revenues (expenses)	38,768,992
Change in net position	1,402,076
Net position at beginning of year	68,966,196
Net position at end of year	$ 70,368,272

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

Wallace State Community College
Statement of Cash Flows
Exhibit 3

For the year ended September 30, 2023

Operating Activities	
Tuition and fees	$ 9,500,039
Grants and contracts	5,703,094
Payments to suppliers	(12,393,170)
Payments for employees	(2,492,619)
Payments for utilities	(22,645,929)
Payments for benefits	(7,126,470)
Payments for scholarships	(3,829,761)
Sales and services of educational activities	76,130
Auxiliary enterprise charges	
Bookstore	311,925
Food service	113,526
Vending	151,513
Housing	358,032
Other auxiliary revenue	1,013,873
Other receipts	313,416
Net cash provided by (used in) in operating activities	(30,946,401)
Noncapital Financing Activities	
State appropriations	23,907,056
Bond surety fee	(121,985)
Federal direct loan receipt	8,253,797
Federal direct loan lending disbursements	(8,371,392)
Federal grants	13,984,931
Other noncapital financing	826,806
Net cash provided by (used in) noncapital financing activities	38,479,213
Capital and Related Financing Activities	
Capital grants and gifts received	43,861
Purchases of capital assets and construction	(4,521,638)
Principal paid on bonds, leases and subscriptions	(2,378,508)
Interest paid on bonds, leases and subscriptions	(528,261)
Deposits with trustees	(10)
Other capital and related financing	(2,000)
Net cash provided by (used in) capital and related financing activities	(7,386,556)

(Continued)

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

For the year ended September 30, 2023

Investing Activities		
Proceeds from sales and maturities of investments		13,517,996
Investment income (loss)		458,124
Purchase of investments		(13,949,354)
Net cash provided by (used in) investing activities		26,766
Net change in cash and cash equivalents		173,022
Cash and cash equivalents at beginning of year		11,105,244
Cash and cash equivalents at end of year	$	11,278,266
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)		(37,366,916)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization expense		6,036,417
Change in operating assets and liabilities		
Receivables (net)		28,318
Inventory		(76,156)
Other assets		(117,623)
Deferred outflows - pension and OPEB		(7,247,702)
Accounts payable and accrued liabilities		74,978
Unearned revenue		1,142,467
Compensated absences		160,094
Pension liability		14,534,000
OPEB liability		(6,613,385)
Deferred inflows - pension and OPEB		(1,500,893)
Net cash provided by (used in) operating activities	$	(30,946,401)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The College is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama, which through the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System through its Chancellor has the authority and responsibility for the operation, management, supervision and regulation of the College. In addition, the College receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the College is considered for financial reporting purposes to be a component unit of the State of Alabama.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents, and Investments

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

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

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which 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, such as bookstore and residence halls. The receivables are shown net of allowance for doubtful accounts.

Inventories

The inventories are comprised of (1) consumable supplies (2) items held for resale, and (3) any other significant inventories. Inventories are valued at the lower of cost or market. Inventories are valued using the first-in/first-out (FIFO) method.

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives are

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets (if applicable) are as follows:

Assets	Depreciation Method	Useful Lives
Buildings	Straight line	50 years
Building alterations	Straight line	25 years
Collections	Not depreciated	
Improvements other than buildings and infrastructure	Straight line	25 years
Construction in progress	Not depreciated	
Furniture and equipment greater than $25,000	Straight line	10 years
Furniture and equipment $25,000 or less	Straight line	5 years
Library holdings	Straight line	20 years
Capitalized software	Straight line	10 years

Deferred Outflows of Resources

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

Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the Term that occurs in the subsequent fiscal year have been recorded as unearned revenues.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Inflows of Resources

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

Net Position

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Net Investment in Capital Assets

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

Restricted

Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the College.

Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted

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

Federal Financial Assistance Program

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

Scholarship Allowances and Student Aid

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Upcoming Accounting Pronouncements

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Notes 8 and 14.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Upcoming Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102*, Certain Risk Disclosures*, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

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

Subsequent Events

The College has evaluated subsequent events through January 16, 2024, the date these financial statements were available to be issued.

Note 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments

The College may invest its funds in a manner consistent with all applicable state and federal 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 rating as described by nationally recognized statistical rating organizations (NRSRO's). 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 deposit (CD's), 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 (MBS's); 5) mortgage-related securities including collateralized mortgage obligations (CMO's) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

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

1. U.S. Treasury bills, notes and bonds can be held without limitation as to amount. Stripped Treasuries shall never exceed 50 percent of the institution's total investment portfolio. Maximum maturity of these securities shall be ten years.
2. U.S. Agency securities shall have limitations of 50 percent of the institution'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. CD's with savings and loan associations, mutual savings banks, or commercial banks may be held without limit provided the depository is a QPD under the SAFE Program. CD maturity shall not exceed five years.
4. The aggregate total of all MBSs may not exceed 50 percent of the institution's total investment portfolio. The aggregate average life maturity for all holdings of MBS shall not exceed seven years, while the maximum average life maturity of any one security shall not exceed ten years.
5. The total portfolio of mortgage related securities shall not exceed 50 percent of the institutions 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 institution may enter into a repurchase agreement so long as :
   a) the repurchase securities are legal investments under state law for institutions;
   b) the institution receives a daily assessment of the market value of the repurchase securities, including accrued interest, and maintains adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction; and
   c) the institution has entered into signed contracts with all approved counterparties.

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

7. The institution 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 institution and approved by the Chancellor in accordance with the *"Alabama Uniform Prudent Management of Institutional Funds Act" Code of Alabama Sections 19-3C-1* and following.

Of the $13,949,354 reported investments on the Statement of Net Position for the College as of September 30, 2023, $3,069,416 consists of certificates of deposit. Certificates of deposit are considered deposits in the context of this disclosure. The certificates of deposit are held by SAFE Program financial institutions or FDIC-insured depository institutions and are not subject to risk categorization. The remaining balance of $10,879,938 is described below:

Investment Type	Fair Value	Less Than1	1-5 years	6-10 years	No maturity
U.S. Guaranteed	$ 7,577,752	$ 7,124,549	$ 453,203	$ -	$ -
U.S. Agencies	1,543,411	531,586	1,011,825	-	-
Corporate Bonds	1,758,775	943,938	814,837	-	-
Total	$ 10,879,938	$ 8,600,073	$ 2,279,865	$ -	$ -

Credit Risk – The College does not have a formal investment policy as a means of managing its exposure to fair value losses arising from credit risk. The College's fixed income investments in U.S. Agencies and Corporate Bonds are subject to credit ratings and were rated by both Moody's Investor Services and by Standards and Poor. By Moody's Investors Services, 44.3% was rated AAA, 20.4% was rated Aa1, 23.1% was rated Aa2, and 12.3% was not rated. By Standard and Poor, 26.6% was rated AAA, 46.7% was rated AA+, 21.9% was rated AA-, 1.2% was rated A+, and 3.6% was not rated.

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College did not have a formal investment policy, which limited investment in any one issuer to less than 5%. Instead, the College's policy was to limit investments by type to the percentages shown below:

Investment	% of Investment
Stripped Treasuries	50%
U.S. Agencies (except for TVA and SLMA)	50%
TVA and SLMA	10%
Certificate of Deposit	No Limit
Mortgage Backed Securities and Mortgage-Related Securities	50%

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

To the extent available, the College's investments are recorded at fair value as of September 30, 2023. GASB Statement No. 72 - Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

Note 2: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

		Fair Value Measurement Using		
Investments by Fair Value Level	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Guaranteed	$ 7,577,752	$ 7,577,752	$ -	$ -
U. S. Agency Securities	1,543,411	-	1,543,411	-
Corporate Bonds	1,758,775	-	1,758,775	-
Total debt securities	10,879,938	$ 7,577,752	$ 3,302,186	$ -
Reconciliation to statement of net position				
Certificates of Deposits	3,069,416			
Investments as reported on the statement of net position	$ 13,949,354			

Additional Information for Level 2 Inputs

The College's investments are managed by Charles Schwab & Co. Inc., which uses Refinitiv Pricing Services. U.S. Agency Securities in Level 2 of the fair value hierarchy are individually evaluated on an OAS basis or nominal spread for non-callable issues. Corporate Bonds in Level 2 of the hierarchy are valued using Refinitiv's internal convertible pricing model that uses dealer quotes and a delta model incorporating a real time equity feed.

Note 3: RECEIVABLES

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

September 30,		2023
Accounts receivable		
Federal grants and contracts	$	6,020,410
State grants and contracts		2,740,321
Auxiliary enterprises		330,994
Third-party tuition and fees receivables		680,157
Lease (current portion)		46,089
Interest		389
Returned checks		641
Subtotal accounts receivable, net		9,819,001
Student receivables		
Student tuition and fees		2,742,484
Less allowance for doubtful accounts		(1,531,097)
Subtotal student receivable, net		1,211,387
Total accounts receivable, net	$	11,030,388

Note 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2023, was as follows:

	Beginning Balance (Restated)	Additions	Deductions	Reclassifications	Ending Balance
Land	$ 2,659,147	$ 148,088	$ -	$ -	$ 2,807,235
Buildings	86,074,889	-	-	9,018,734	95,093,623
Building alterations	50,844,235	-	-	432,819	51,277,054
Collections	9,057,485	-	-	-	9,057,485
Improvements other than buildings and infrastructure	10,490,133	-	-	-	10,490,133
Construction in progress	9,170,070	963,389	-	(9,451,553)	681,906
Furniture and equipment greater than $25,000	15,562,506	2,462,966	(1,282,264)	-	16,743,208
Furniture and equipment $25,000 or less	8,433,335	795,158	(534,370)	-	8,694,123
Library holdings	3,091,917	31,376	(40,030)	-	3,083,263
Capitalized software	1,580,582	-	(1,580,582)	-	-
Right-to-use lease asset - building	-	552,586	-	-	552,586
Right-to-use subscription asset	61,088	275,634	-	-	336,722
Total	197,025,387	5,229,197	(3,437,246)	-	198,817,338
Less accumulated depreciation and amortization					
Buildings	33,688,827	1,933,393	-	-	35,622,220
Building alterations	22,826,633	1,814,631	-	-	24,641,264
Improvements other than buildings and infrastructure	6,465,044	270,673	-	-	6,735,717
Furniture and equipment greater than $25,000	9,019,229	1,270,850	(1,258,330)	-	9,031,749
Furniture and equipment $25,000 or less	7,309,317	621,714	(534,370)	-	7,396,661
Library holdings	2,641,436	51,296	(40,030)	-	2,652,702
Capitalized software	1,580,582	-	(1,580,582)	-	-
Right-to-use lease asset - building	-	15,350	-	-	15,350
Right-to-use subscription asset	-	58,510	-	-	58,510
Total accumulated depreciation and amortization	83,531,068	6,036,417	(3,413,312)	-	86,154,173
Capital assets, net	$ 113,494,319	$ (807,220)	$ (23,934)	$ -	$ 112,663,165

Land, construction in progress and collections are not subject to depreciation.

Note 5: DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the 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. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

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

Act Number 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits 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

Tier I covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% 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

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

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.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. The contribution rates for the prior fiscal year were 12.43% for Tier 1 and 11.32% for Tier 2. 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 was $2,499,013 for the year ended September 30, 2023.

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

At September 30, 2022, the College reported a liability of $37,949,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the College's proportion was 0.244189%, which was a decrease of 0.004368% from its proportion measured as of September 30, 2021.

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended September 30, 2022, the College recognized pension expense of $4,327,000. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 834,000	$ 921,000
Changes of assumptions	1,722,000	-
Net difference between projected and actual earnings on pension plan investments	7,615,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	271,000	1,088,000
Employer contributions subsequent to the measurement date	2,499,013	-
Total	$ 12,941,013	$ 2,009,000

The $2,499,013 reported as deferred outflows of resources related to pension resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending September 30,	
2024	$ 2,345,000
2025	1,929,000
2026	1,214,000
2027	2,945,000
2028	-
Thereafter	-
Total	$ 8,433,000

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

Inflation	2.5%
Investment rate of return*	7.45%
Projected salary increases	3.25%-5.00%

*Net of pension plan investment expense, including inflation.

The actuarial assumptions used in actuarial valuation as of September 30, 2021, were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020, and a discount rate of 7.45%, as adopted by the Board of Trustees on September 13, 2021.

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

Group	Membership Table	Set Forward(+) /	Adjustment to Rates
Service retirees	Teacher retiree - below median	Male: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63 -67
		Female: +2	Female: 112% ages < 69, 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent below median	Male: +2 Female: None	None
Disabled retirees	Teacher disability	Male: +8 Female: +3	None

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00%	2.80%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	2.50%
Total	100.00%	

*Includes assumed rate 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 pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the System'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 (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
College's proportionate share of collective net pension liability	$ 49,104,000	$ 37,949,000	$ 28,553,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditors' report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

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

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Plan Description (Continued)

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

Benefits Provided

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

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

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

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Benefits Provided (Continued)

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State of Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

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

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Contributions (Continued)

Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2023, the College reported a liability of $3,780,797 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The College's proportion of the collective net OPEB liability was based on a projection of the College's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the College's proportion was 0.21698183%, which was an increase of 0.01580983% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the College recognized OPEB expense/(benefit) of $(2,251,703) with no special funding situations. At September 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 173,402	$ 7,644,461
Changes of assumptions	3,066,743	5,503,177
Net difference between projected and actual earnings on OPEB plan investments	475,471	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,150,440	1,726,891
Employer contributions subsequent to the measurement date	315,733	-
Total	$ 5,181,789	$ 14,874,529

The $315,733 reported as deferred outflows of resources related to OPEB resulting from 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, 2024.

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

For the years ending September 30:	
2024	$ (2,559,501)
2025	(2,608,893)
2026	(1,315,108)
2027	(1,175,873)
2028	(1,489,187)
Thereafter	(859,911)
Total	$ (10,008,473)

Actuarial Assumptions

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

Inflation	2.50%
Salary increase[1]	3.25% -5.00%
Long-term investment rate of return[2]	7.00%
Municipal Bond Index Rate at Measurement Date	4.40%
Municipal Bond Index Rate at Prior Measurement Date	2.29%
Projected year for fiduciary net position (FNP) to be depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	3.97%
Healthcare cost trend rates	
Pre-Medicare eligible	6.50%
Medicare eligible	**
Ultimate Trend Rate	
Pre-Medicare eligible	4.50% in 2031
Medicare eligible	4.50% in 2027

[1] Includes 2.75% wage inflation
[2] Compounded annually, net of investment expense, and including inflation.
** Initial Medicare claims are set based on scheduled increases through plan year 2025.

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

The rates of mortality are based on the Pub-2010 Public 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(+)/ Setback (-)	Adjustment to Rates
Active members	Teacher employee below median	None	65%
Service retirees	Teacher below median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% 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

Actuarial Assumptions (Continued)

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

Long-Term Rate of Return

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

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

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Long-Term Rate of Return (Continued)

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

	Target Allocation	Long-Term Expected Real Rate of Return*
Fixed income	30.00%	4.40%
U.S. large stocks	38.00%	8.00%
U.S. mid stocks	8.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

*Geometric mean includes inflation of 2.50%.

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 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 active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefits for all current members are projected through 2120.

Note 6: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

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

	1% Decrease	Current Rate	1% Increase
	(5.50% decreasing to 3.50% for Pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	(6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	(7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
College's proportionate share of collective net OPEB liability	$ 2,866,986	$ 3,780,797	$ 4,901,500

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of collective net OPEB liability	$ 4,674,397	$ 3,780,797	$ 3,030,646

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7: LEASES

The following is a description of the College's lease activity. The College accounts for these activities in accordance with GASB 87.

Aircraft Leases – as lessee

The College is the lessee in various lease agreements for aircraft that are used for training as part of its aviation program. The leases generally are for a period of 12 months with extensions available for up to 36 months from the date of the original agreement. The College expects to extend the lease agreements to the maximum term available. The majority of the leases require payments based on future flight hours; rates vary from approximately $180 to $450 per hour. As a result, these payments have been excluded from the calculation of lease liability (and related right to use asset). Lease agreements with fixed monthly payments are not material and have been excluded from the calculation as well. Lease payments are thus reflected as outflows in the period that they are incurred. For the fiscal year 2022, the College recognized $442,854 of outflows related to these leases. The College receives payments from students for the use of aircraft and retains a nominal amount as an administrative fee. However, these payments do not qualify as a sublease agreement.

Office Lease – as lessee

On September 1, 2023, the College entered into a 36-month lease as for an office building. An initial lease liability was recorded in the amount of $552,586. As of September 30, 2023, the value of the lease liability is $537,594. Wallace State Community College, AL is required to make monthly fixed payments of $15,775. The lease has an interest rate of 3.0410%. The value of the right to use asset as of September 30, 2023 of $552,586 with accumulated amortization of $15,350 is included with Buildings on the Lease Class activities table found below. The College has 2 extension option(s), each for 24 months.

Amount of Lease Assets by Major Classes of Underlying Asset

	As of Fiscal Year-end	
Asset Class	Lease Asset Value	Accumulated Accumulated
Building	$ 552,586	$ 15,350

Note 7: LEASES (Continued)

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

Principal and Interest Requirements to Maturity of Lease Liability

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 166,712	$ 14,201	$ 180,913
2025	187,805	8,692	196,497
2026	183,077	2,807	185,884
Total	$ 537,594	$ 25,700	$ 563,294

Department of Agriculture – as lessor

The College is party to a real estate lease agreement, as the lessor, with the Alabama Department of Agriculture and Industries. The lease term is for a period of five (5) years ending on September 30, 2026 with an option to extend for an additional five (5) years. The College has determined that it is reasonably certain that the extension will be exercised and as such as established the lease term as a period of 10 years. Lease payments are $4,000 per month, due at the beginning of the month. The incremental borrowing rate used to calculate the initial lease receivable was 1.284%. The College recorded $4,982 of interest revenue and $45,071 of lease revenue during the fiscal year ended September 30, 2023. As of September 30, 2023, the value of the lease receivable is $364,756 and the value of the deferred inflow of resources was $360,573.

DB Technologies – as lessor

On January 1, 2023, the College entered into a 24-month lease as lessor for the use of DB Technologies. An initial lease receivable was recorded in the amount of $4,775. As of September 30, 2023, the value of the lease receivable is $3,236. The lessee is required to make monthly fixed payments of $170.00. The lease has an interest rate of 2.8470%. The value of the deferred inflow of resources as of September 30, 2023 was $2,985, and Wallace State Community College, AL recognized lease revenue of $1,791 during the fiscal year. The College has 1 extension option for 12 months.

Note 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The following is a description of the College's subscription-based information technology arrangements (SBITA) activity. The College accounts for these activities in accordance with GASB 96.

Note 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

The College has various subscription agreements for software that qualify for reporting under GASB 96. The majority of these agreements have been paid in advance at the beginning of the subscription term. The subscription terms range from 15 to 92 months and have interest rates between approximately 3.25% and 3.58%

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end Subscription Asset Value	Accumulated Amortization
Software	$ 336,722	$ 58,510

The following is a schedule of minimum future lease payments from subscription agreements as of September 30:

Principal and Interest Requirements to Maturity Subscription Liability

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	$ 42,955	$ 2,862	$ 45,817
2025	31,950	1,488	33,438
2026	2,935	483	3,418
2027	3,212	378	3,590
2028	3,506	263	3,769
2029 - 2030	3,821	137	3,958
Total	$ 88,379	$ 5,611	$ 93,990

Note 9: OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, the College has been awarded approximately $17,719,061 in federal contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 10: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Salaries and wages	$	781,619
Benefits		283,331
Interest payable		380,172
Supplies		1,575,187
Construction		93,279
Total	$	3,113,588

Note 11: LONG-TERM LIABILITIES

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

		Beginning Balance (Restated)		Additions		Reductions		Ending Balance		Current Portion
Publicly sold bonds										
2020 Issue	$	11,260,000	$	-	$	(1,090,000)	$	10,170,000	$	1,125,000
2020 Bond Premium		1,170,894		-		(144,679)		1,026,215		145,075
2021 Issue		14,210,000		-		(610,000)		13,600,000		630,000
2021 Bond Premium		2,458,893		-		(270,494)		2,188,399		271,235
Total publicly sold bonds payable		29,099,787		-		(2,115,173)		26,984,614		2,171,310
Other liabilities										
Lease liability		-		552,586		(14,992)		537,594		166,712
Subscription liability		61,088		275,634		(248,343)		88,379		42,955
Compensated absences		1,105,420		824,233		(664,140)		1,265,513		664,139
Total other liabilities		1,166,508		1,652,453		(927,475)		1,891,486		873,806
Total long-term liabilities	$	30,266,295	$	1,652,453	$	(3,042,648)	$	28,876,100	$	3,045,116

In February 2020, the College issued $12,725,000 in limited obligation revenues refunding bonds payable over 10 years. The bonds were issued to refund the 2010 Recovery Zone Economic Development Revenue Bonds. The 2010 bonds were issued to provide funding for the renovation and equipping of the James C. Bailey Commerce Center and paying the expenses of issuing the bonds.

In August 2021, the College issued $14,210,000 in limited obligation revenue refunding bonds payable over 15 years. The bonds were issued to refund the Series 2012 bonds and pay the costs of issuing the Series 2021 bonds. The 2012 bonds were issued to provide funding for the design, construction, acquisition, equipping, and installation of various capital improvements and equipment for the College, including, without limitation, a new Health/Life sciences building.

Note 11: LONG-TERM LIABILITIES (Continued)

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

	Publicly Sold Bonds		
Fiscal Year	Principal	Interest	Total
2024	$ 1,755,000	$ 885,263	$ 2,640,263
2025	1,820,000	822,625	2,642,625
2026	1,885,000	754,425	2,639,425
2027	1,955,000	683,738	2,638,738
2028	2,030,000	610,375	2,640,375
2029-2033	10,230,000	1,781,400	12,011,400
2034-2036	4,095,000	247,100	4,342,100
Totals	$ 23,770,000	$ 5,784,926	$ 29,554,926

Deferred Outflow on Refunding

The College has accounting losses on refunding in connection with the issuance of its 2020 and 2021 Revenue Bonds, which are being amortized using the straight-line method over a period of 10 years and 15 years, respectively.

	Deferred Outflows on Refunding
Total deferred outflow on refunding	$ 630,909
Amount amortized prior years	(119,322)
Balance deferred outflow on refunding and premium	511,587
Current amount amortized	(59,930)
Balance deferred outflow on refunding and premium	$ 451,657

Note 11: LONG-TERM LIABILITIES (Continued)

Pledged Revenues

The College has pledged tuition revenue and a special building fee for the payment of debt service on the Series 2020 Bonds. The approximate amount of the pledge is $13,717,933. The Series 2020 debt was issued to refinance the Series 2010 Bond. The Series 2010 Bond was used to finance the renovation of the James C. Bailey Commerce Center. The pledged revenue will not be available for other purposes until November 1, 2030. The principal and interest payments made during the period were $1,483,050. Therefore, of the $13,717,933 in tuition and fee revenue recognized by the College during fiscal year 2023, 10.81% was needed for debt service on the Series 2020 Bonds.

The College has pledged tuition revenue and a special building fee for the payment of debt service on the Series 2021 Bonds. The approximate amount of the pledge is $13,717,933. The Series 2021 debt was issued to refinance the Series 2012 Bond. The Series 2012 debt was issued to provide funding for the design, construction, acquisition, equipping and installation of various capital improvements and equipment for the College, including, without limitation, a new Health/Life Science Building. The pledged revenue will not be available for other purposes until November 1, 2035. The principal and interest payments made during the period were $1,156,850. Therefore, of the $13,717,933 in tuition and fee revenue recognized by the College during fiscal year 2023, 8.43% was needed for debt service on the Series 2021 Bonds.

Note 12: RISK MANAGEMENT

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

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and 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.

Note 12: RISK MANAGEMENT (Continued)

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 13: RELATED PARTIES

Wallace State Community College Future Foundation, Inc., was incorporated as a non-profit corporation to promote scientific, literary, and education purposes; the advancement of Wallace State Community College; and for the encouragement and support of its students and faculty. This report contains no financial statements of Wallace State Community College Future Foundation, Inc. There were no material transactions with this related party.

Note 14: CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. See Note 8 for additional information.

REQUIRED SUPPLEMENTARY INFORMATION

Wallace State Community College
Schedule of the College's Proportionate Share of the Collective Net Pension Liability
Exhibit 4
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016
College's proportion of the collective net pension liability	**0.244189%**	0.248557%	0.256311%	0.249866%	0.258513%	0.265962%	0.261882%	0.259665%
College's proportionate share of the collective net pension liability	**$ 37,949**	$ 23,415	$ 31,705	$ 27,627	$ 25,703	$ 26,140	$ 28,351	$ 27,176
College's covered payroll during measurement period*	**$ 18,881**	$ 18,053	$ 18,192	$ 17,807	$ 17,256	$ 17,577	$ 16,904	$ 16,422
College's proportionate share of the collective net pension liability as a percentage of its covered payroll	**200.99%**	129.70%	174.28%	155.15%	148.95%	148.72%	167.72%	165.49%
Plan fiduciary net position as a percentage of the total pension liability	**62.21%**	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

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

Wallace State Community College
Schedule of College's Contributions - Pension
Exhibit 5
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	**$ 2,499**	$ 2,279	$ 2,176	$ 2,211	$ 2,170	$ 2,076	$ 2,082	$ 1,969
Contributions in relation to the contractually required contribution	**2,499**	2,279	2,176	2,211	2,170	2,076	2,082	1,969
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll*	**$ 20,576**	$ 18,881	$ 18,053	$ 18,192	$ 17,807	$ 17,256	$ 17,577	$ 16,904
Contributions as a percentage of covered payroll	12.15%	12.07%	12.05%	12.15%	12.19%	12.03%	11.85%	11.65%

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the 9/30/2023 year is 10/1/2022 - 9/30/2023.

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.

Wallace State Community College
Schedule of the College's Proportionate Share of the Collective Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust
Exhibit 6
(Dollars in Thousands)

	2023	2022	2021	2020	2019
College's proportion of the collective net OPEB liability	**0.216982%**	0.201172%	0.208555%	0.238900%	0.232996%
College's proportionate share of the collective net OPEB liability	**$ 3,781**	$ 10,394	$ 13,535	$ 9,013	$ 19,149
College's covered payroll during measurement period*	**$ 17,437**	$ 17,425	$ 17,543	$ 17,074	$ 16,306
College's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	**21.68%**	59.65%	77.15%	52.79%	117.44%
Plan fiduciary net position as a percentage of the total OPEB liability	**48.39%**	27.11%	19.80%	28.14%	14.81%

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

Per GASB 75, covered payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e., the measurement period), which for the 9/30/2023 year is 10/1/2021 - 9/30/2022.

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

Wallace State Community College
Schedule of College's Contributions - OPEB
Alabama Retired Education Employees' Health Care Trust
Exhibit 7
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Contractually required contribution	**$ 316**	$ 411	$ 348	$ 412	$ 680
Contributions in relation to the contractually required contribution	**316**	411	348	412	680
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
College's covered payroll*	**$ 19,830**	$ 17,437	$ 17,425	$ 17,543	$ 17,074
Contributions as a percentage of covered payroll	**1.59%**	2.36%	2.00%	2.35%	3.98%

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

Note 1: NET PENSION LIABILITY

Schedule of Changes in the Net Pension Liability and Related Ratios

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh MacDonald Consulting, LLC. The net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

Schedule of Employer Contributions

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. Employer contribution rates for the fiscal year 2023 were 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members.

Actuarial Assumptions

The actuarially determined contribution rates in the Schedule College's Contributions - Pension 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 contribution rate in that schedule:

Actuarial Cost Method	Entry age normal
Asset Valuation Method	5-year smoothed market
Amortization Method	Level percent closed
Remaining Amortization Period	27.1 years
Actuarial Assumptions:	
Investment rate of return*	7.70%
Projected Salary Increases^	3.25% - 5.00%
Cost of Living Adjustments	None

* Net of pension plan investment expense
^ Includes inflation at 2.75%

Note 1: NET PENSION LIABILITY (Continued)

A ***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 (Tier II), are covered under a new benefit structure, as follows:

(i) service retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer or correctional officer).
(ii) Upon service or disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation (the 5 highest years in the last 10 years of Creditable Service).
(iii) Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary

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%.

Note 1: NET PENSION LIABILITY (Continued)

Changes of Assumptions (Continued)

In 2016, rates of retirement, disability, withdrawal 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 the expectation of retired life mortality as 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. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Note 2: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule College's Contributions - OPEB 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 contribution rate in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	21 years, closed
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return*	5.00%
Healthcare Cost Trend Rate*	
Pre-Medicare Eligibile	6.75%
Medicare Eligible	**
Ultimate Trend Rate*	
Pre-Medicare Eligibile	4.75% in 2027
Medicare Eligible	4.75% in 2024
Year of Ultimate Trend Rate	
Optional Plans Trend Rate	2.00%

* Includes price inflation at 2.75%

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

Note 2: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Changes of Assumptions

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

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

Recent Plan Changes

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

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

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

ADDITIONAL INFORMATION

Wallace State Community College
Listing of College Officials
Exhibit 8

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Dr. Vicki P. Karolewics	President
Mary Helen Ingram	Chief Financial Officer

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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

Jimmy Baker, Chancellor – Alabama Community College System
Dr. Vicki Karolewics, President – Wallace State Community College
Hanceville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wallace State Community College (the College), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 16, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
January 16, 2024